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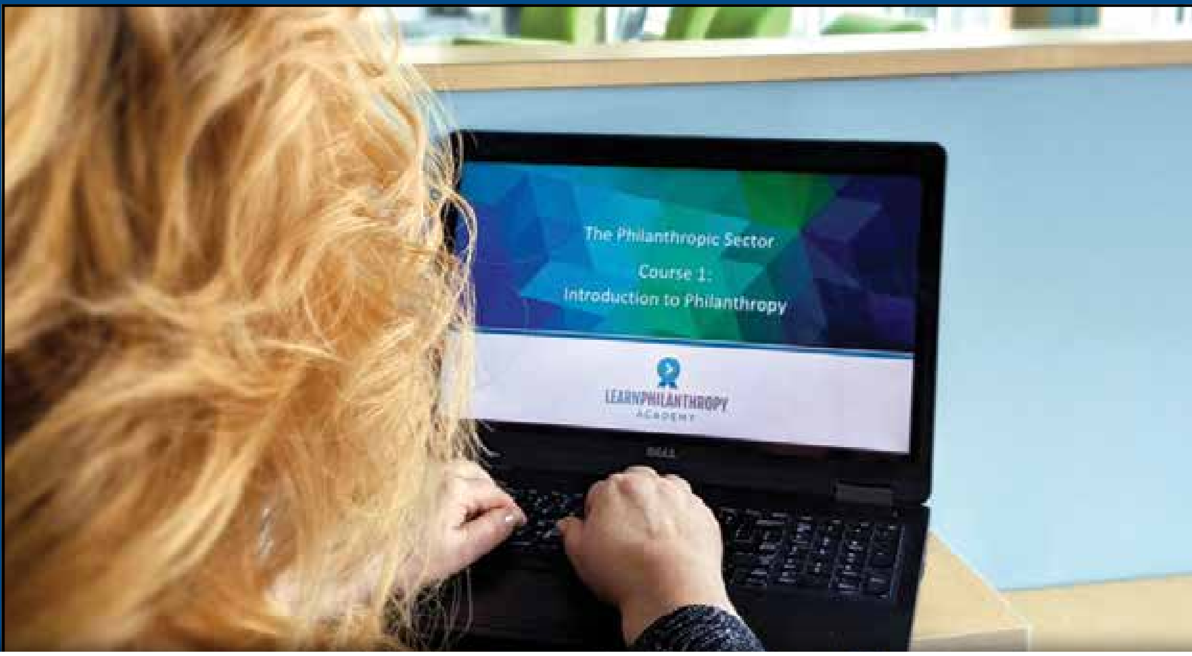
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Front cover graphic: A framework for achieving equitable and inclusive growth (Minzner). See page 25 for more information.

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Editorial

Dear readers,

This issue is focused on how foundations and nonprofit organizations support efforts to create "inclusive growth" communities. Inclusive growth is defined as more people sharing in the rewards of a growing economy and community. In this context it is considered a process and an outcome. These are communities that invest through philanthropy, public policy, private and public financial decisions, and community commitments. The process involves collaborations across the public, private, and nonprofit sectors in tackling the complexity of creating upward mobility for everyone, especially marginalized communities. These entities contribute to inclusive growth by addressing health inequities, access to quality education, affordable housing, and community and economic development. Philanthropy also contributes through roles such as leader, convener, influencer, and advocate.

Strategies to achieve inclusive growth involve many facets, including examining organizational processes, establishing robust measurement tools, applying systems thinking, utilizing reflective practices, creating cross-sector collaborations, and investing in long-term commitments.

Davids and Meijs explore inclusion and exclusion within civil society by distinguishing two broad approaches: the managerial, based on the private sphere, and the democratic, based upon the public sphere. They share 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. They offer a perspective on the importance of understanding the value of immigrant grassroots organizations and how funding decisions are influenced by the funding strategies they take.

Two critical elements of inclusive growth strategies are access and opportunity, especially for low-income people and communities of color. **Minzner** offers a framework of leading equitable economic development strategies, and proposes an approach for measuring their effects on barriers, opportunities, and end outcomes by population characteristics. She points out the importance of understanding the link between equitable economic development activities and equitable economic impacts. A new measurement strategy is offered to unmask variations of growth for different populations.

The stark reality of wealth disparities and racism in America was illuminated during the COVID-19 pandemic and the public murder of George Floyd and other people of color. **Stroh** points out that wealth inequality in turn fans structural racism. This article specifically applies systems thinking to identify the root causes of wealth inequality, including structural racism, and then proposes strategies for both fairly distributing and generating new wealth.

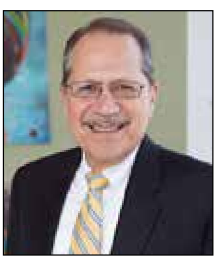
Nonprofit infrastructure organizations have been important supports during the COVID-19 crisis as well as addressing disparities during this time. These organizations, according to **Prentice, Brudney, Clerkin, and Brien,** are divided into three categories: those that support the nonprofit sector as a whole, those that assist nonprofit organizations and their staffs, and those that devote their resources to the communities or region they serve. This article presents a case study of one region in which all three types of organizations were asked to share their responses to nonprofits that sought help in dealing with the coronavirus pandemic. This

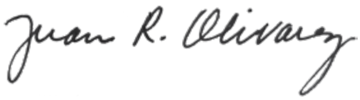
article offers useful lessons for foundations by demonstrating how nonprofit infrastructure organizations have adapted to COVID-19 to support the nonprofits they serve. It also suggests that foundations should consider funding organizations rather than programs, allowing these nonprofits to address immediate needs.

Simon, Lloyd, and Francis address the construct of cross-sector coalitions when attempting to impact income inequality and stimulate inclusive growth. These sectors included business, community, and civic leaders. Through these partners the Essex County Community Foundation launched a systems philanthropy strategy to address income inequality and stimulate inclusive growth. The strategy involves a multipronged approach aimed at amplifying the county's strengths, launching inclusive-growth initiatives, expanding workforce training and skill development, incentivizing and supporting small-business resiliency and growth, and revitalizing and reinventing struggling local industries. This article shares insights into systems philanthropy, the roles played by the foundation and its business and community partners, and how funders can reduce income inequality by investing systemically in inclusive growth.

In attempting to create inclusive growth in communities, it is important to understand that initiatives must be viewed as long term commitments and investments. To understand the implications of these long-term efforts, **Brown, David, and Sharma** studied The California Endowment's Building Healthy Communities, a $1.75 billion 10-year initiative to promote health equity. This article aims to build upon the lessons from past place-based work and provide new knowledge from this initiative. The results illustrate the significant role foundations play in determining the outcomes particularly for foundations that take on roles that position them as part of the action rather than merely as sources of funds. The article concludes with reflections about what it takes for a private foundation to succeed in such a complex and long-term endeavor.

Inclusive growth communities will only develop and flourish if we are intentional about addressing disparities within our communities. We hope you will learn from these articles as we all strive to create different results from current reality.





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Can Civil Society Be Inclusive? Strategies for Endowed Foundations

Drs Irene M. H. Davids; and Dr Lucas C. P. M. Meijs, Erasmus University

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.[1]

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

[1] 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 nonprofit 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 & Galaskiewizc, 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
Total	**2,028** (42%)	**1,245** (26%)	**1,504** (32%)	**349** (215 selected)	**571** (215 selected)
		4,777			**920**

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).

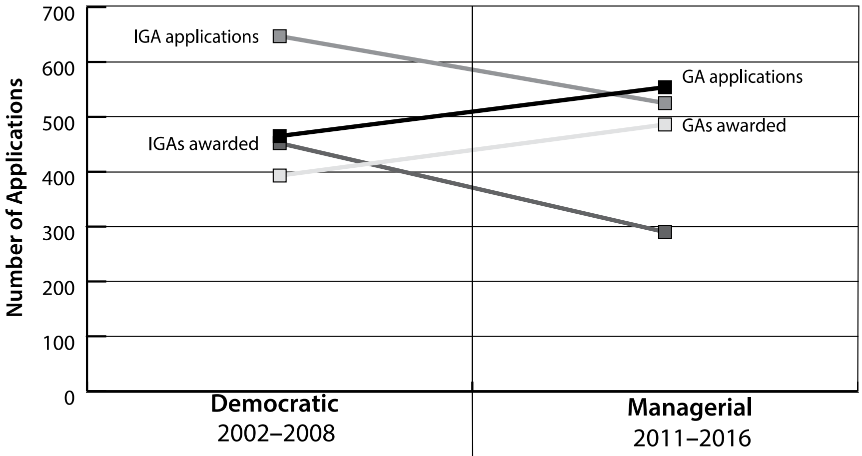
We divided HR diversity into four categories: 1) male/female; 2) native (Dutch) descent/non-Western migrant descent; 3) technical, financial background/sociological background; and 4) volunteer involvement/no volunteer involvement. Board and staff composition were measured separately for each of these 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).

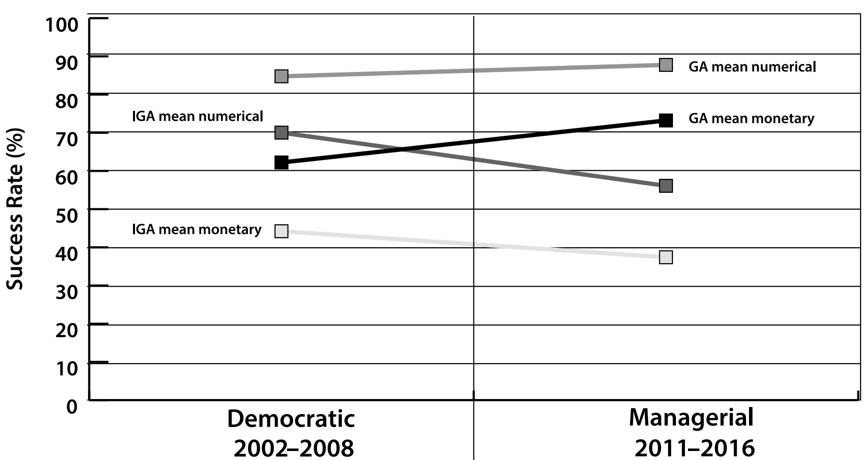
We then conducted a closer examination of four categories of organizations that could potentially belong to one of the categories (GAs or IGAs): refugee organizations, advocacy organizations, social work organizations, and "self-organizations" (in Dutch, zelforganisaties, which usually refers to immigrant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

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



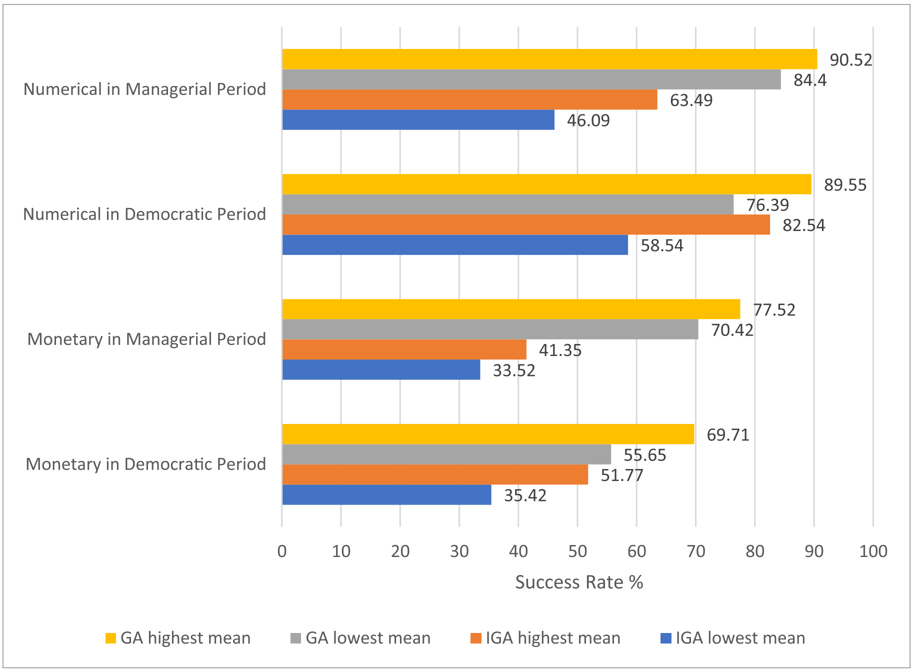
	Democratic 2002–2008	Managerial 2011–2016
GA applications	465	554
GAs awarded	393	486
IGA applications	647	525
IGAs awarded	452	290

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 571 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

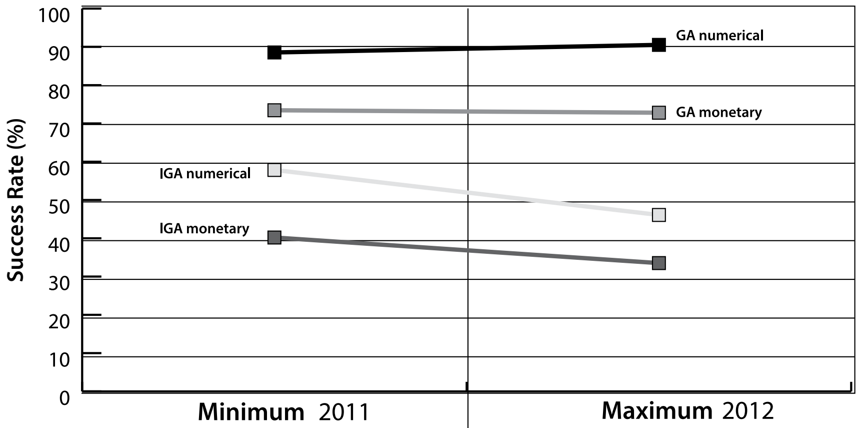
Does strategy — democratic or managerial — influence the success rates (measured as percentage of applications awarded and percentage of total funds granted) of IGAs and GAs? To answer this question, we compared the annual monetary and numerical success rates of IGAs and GAs during the period dominated 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

Results

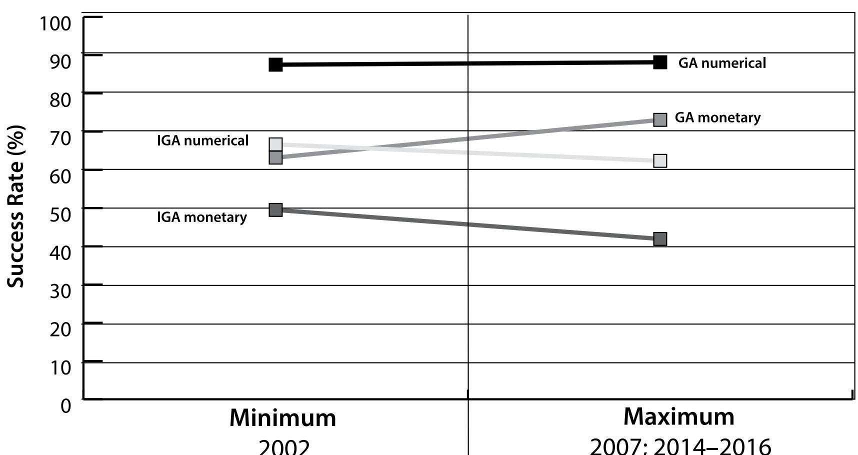
FIGURE 4 GA/IGA Success Rates With Maximum and Minimum Staff Diversity



	Minimum 2011	Maximum 2012
GA numerical	88.54	90.52
IGA numerical	57.85	46.09
GA monetary	73.44	72.8
IGA monetary	40.2	33.52

Mean Success Rates

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



	Minimum 2002	Maximum 2007; 2014–2016
GA numerical	87.5	88.14
IGA numerical	66.66	62.35
GA monetary	63.2	73.07
IGA monetary	49.52	41.93

Mean Success Rates

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

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.

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 proceeded 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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Tools

Measuring the Effectiveness of Equitable Economic Development Strategies

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Keywords: *Equitable economic development, inclusive growth, measurement, evaluation, equity*

Introduction

Wealth disparities in the United States have continued to grow in recent years. Over the past three decades, the nation's most affluent families have increased their net worth while those at the bottom of the economic ladder have fallen deeper into negative wealth — a position where the value of their debts exceeds the value of their assets (Wolfe, 2017). America's top 1% possessed about one-third of the nation's wealth in 2019, including over half of American wealth invested in stocks and mutual funds, while the bottom 50% of Americans held only 1.5% of that wealth (Board of Governors of the Federal Reserve System, 2020). Additionally, most of the wealth of Americans at the bottom of the wealth distribution comes from their homes — an asset category that took a hit during the 2007–2009 recession and is likely to be impacted again by the economic fallout from the COVID-19 pandemic.

The widening of the wealth divide has coincided with the extreme concentration of U.S. wealth along racial and gender lines (Kijakazi, Brown, Charleston, & Runes, 2019; Chang, 2010). African American households own about 5% of the nation's wealth; Hispanic households own about 3%. This is in comparison to white households, which own over 85% of the nation's wealth (Board of Governors of the Federal Reserve System, 2020). Similarly, single women had a median wealth of $3,210, compared with $10,150 for single men during their working years (Chang, 2015).

The racial wealth divide and overall growth in economic inequality are often examined as two separate issues. These trends, however, are mutually reinforcing consequences of structural racism and economic policies that favor the very wealthy. For example, historic practices of neighborhood redlining and discriminatory lending practices have made it less likely for African Americans to be homeowners, which directly decreases wealth and also prevents them from accessing the saving and tax benefits that come

Key Points

- There is anecdotal evidence that equitable economic development activities can foster inclusive growth and unlock the full potential of local economies by dismantling barriers and expanding opportunities for low-income people and communities of color. These strategies are being used with increasing frequency, and advocates and funders are pressing for their use throughout the country. Because of this, there is a need to better understand the link between equitable economic development activities and their ability to foster equitable opportunities and resulting impacts.
- Establishing this link will require a new measurement strategy because traditional measures of economic development effectiveness focus on communitywide benefits, which can mask the variations of growth for different populations. New measurements need to focus on whether equitable economic development activities have, in fact, dismantled barriers or expanded opportunities for individuals who have faced historic bias and or disadvantage, and also who is benefitting from economic growth.
- This article presents a framework of leading equitable economic development strategies, and proposes an approach for measuring their effects on barriers, opportunities, and end outcomes by population characteristics.

with owning a home (Mitchell & Franco, 2018; Hanks, Solomon, & Weller, 2018). Similarly, disinvestment in communities of color has limited local infrastructure, such as schools, creating long-term challenges for community members in the labor market. This, coupled with labor market discrimination, has limited employment opportunities for people of color and women, shifting them into jobs with lower pay and fewer benefits (Kijakazi, 2019; Borowczyk-Martins, Bradley, & Tarasonis, 2017; Arons & Rosenthal, 2012; Blau & Kahn, 2017).

These trends have been persistent for many years but have gained visibility as income and wealth inequality have increased, particularly in the recovery from the 2007–2009 recession (Kachhar & Cilluffo, 2017). Additionally, as researchers and economists have shifted focus from analyzing disparities in income to calculating household wealth, the racial and gender wealth gap has become more visible and better understood. There are also a number of recent studies that have demonstrated the economic cost of inequality.[1] Together, these trends have resulted in a growing conversation about how to foster inclusive and equitable growth.

This article is a contribution to that conversation. In it, I begin by briefly presenting a model for equitable economic development (EED). I then discuss how stakeholders can assess their progress toward equitable, inclusive growth, noting the state of the field in terms of measurement, challenges to measurement, an example of how measurement might be structured, and principles for measurement that can guide the field.

For purposes of this article, EED describes a system of relationships and strategies that foster conditions for broadly inclusive growth — where everyone has equal access to opportunity and where strategies and programs are implemented to compensate for past discrimination. These strategies and programs must "simultaneously deliver environments in which firms and industries can thrive and … that lift up workers and communities, especially those that have been historically disadvantaged" (Parilla, 2017, para. 18). While others in the field tend to frame this work as "inclusive growth" or "equitable growth," I have used EED to explicitly connect these ideas to practitioners working in economic development and bring them into the conversation about fostering and measuring equitable and inclusive growth.

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Equitable Economic Development and Why It's Needed

The wealth disparities described earlier occurred even while cities and counties were making a substantial investment in traditional economic development (e.g., business recruitment, infrastructure investments, and downtown revitalization). In most cases, the goal of these efforts

[1] The 2011 PolicyLink report *America's Tomorrow: Equity Is the Superior Growth Model,* prepared with the University of Southern California's Program for Environmental and Regional Equity, provides a detailed summary of these studies (see https://www.policylink.org/sites/default/files/SUMMIT_FRAMING_WEB_20120110.PDF, p. 11).

has been improving a city or neighborhood's overall prosperity without considering who specifically would benefit from or be harmed by them. Without an intentional focus on beneficiaries, though, the benefits of these investments have gone to those best prepared or best capitalized to take advantage of them (Berube & Murray, 2018; Benner & Pastor, 2013; Johnson, 2016; Rothstein, 2017). For example, small-business loans have gone to those with existing banking relationships (Simon, 2020), recruited businesses have employed no neighborhood residents, and facade improvement grants have gone to those with sufficient resources to contribute the needed financial match.

As mentioned earlier, the legacy of systemic racism in the United States (i.e., discriminatory lending practices, redlining, and lack of municipal investments in communities of color) has increased the likelihood that these beneficiaries were white and not people of color. Collectively, this has led to the current reality that past investments in economic development have made little to no progress in creating greater wealth for most citizens, particularly people of color (Urban Institute, 2017).

In this context, national and local leaders in the economic development and community development fields have begun to seek additional ways to create equitable and inclusive growth (Lui, 2016; Treuhaft, Scoggins, & Tran, 2014; Benner & Pastor, 2013). As mentioned, these conversations began in the early 2010s among academics and researchers (Treuhaft, Blackwell, & Pastor, 2011; Benner & Pastor) when disparities between different racial groups became more apparent, particularly as data clearly showed the economic recovery from the Great Recession was experienced very differently across incomes and races (Kochhar & Cilluffo, 2017). As academics and researchers began to elevate these trends, philanthropy began fostering conversations and funding strategies to support more inclusive growth (e.g., All-In Cities, New Growth Innovation Network [NGIN], and the Center for Inclusive Growth).

Through this work, city stakeholders and economic development officials in some cities and counties have begun to alter the processes they use to select their growth strategies, the strategies they select, and the ways they are implemented. For example, economic development officials in one Midwestern city designed and implemented a policy to lease industrial park space only to tenants who would be creating jobs that paid a living wage and would be accessible to lower-skilled neighborhood residents, typically through a partnership with a local training provider. This is in contrast to the frequent practice of recruiting and providing incentives for companies without considering the extent to which local residents could access or benefit from them.

EED: A Framework

An economic development system that is designed to create inclusive, equitable growth can be illustrated as a collection of key elements, strategies, and outcomes that compose a trio of interlocking cogs. (See Figure 1.)

Cog No. 1: An Equitable and Inclusive Economic Development System

The first cog illustrates how a more equitable and inclusive economic development system would operate. If we think about systems being a combination of structures (e.g., policies and practices), relationships (e.g., connections and power dynamics), and individuals' internal frameworks (e.g., mental models), then the economic development system must adjust at each of these levels to place greater emphasis on increasing equity and inclusiveness (Kania, Kramer. & Senge, 2018). System stakeholders would expand beyond government agencies, employers, workforce development providers, business leaders, and familiar community-based organizations to including residents or grassroots organizations that represent them. This expansion would provide residents and resident leaders with a vote in key decisions that affect them, shifting power from the large external actors as needed.

It would also shift how stakeholders interact, deepening the importance of

FIGURE 1 Framework for Achieving Equitable and Inclusive Growth

community–industry partnerships and collaborative and data-informed decision-making. For example, rather than doing a broad survey of small businesses to understand needs, the survey and its analysis would include questions about the business owners' race, allowing for services to be targeted to the needs of business owners from historically disadvantaged groups, thus increasing their opportunities and reducing their barriers to participating.

The system would also support efforts to organize residents and help them advocate for their needs, and could include agreed-upon values and principles in the work (e.g., collective action, systems thinking, clear goal setting, commitment to shared metrics, and respect).

Cog No. 2: Opportunity-Creating Strategies for Growth.

The second cog highlights the strategies that have been identified as critical for inclusive growth. The strategies were selected after reviewing the EED and inclusive growth frameworks and strategies developed by organizations leading the work on EED (e.g., Urban America Forward, the Brookings Institution, JPMorgan Chase, PolicyLink, Local Initiatives Support

I looked across the various sources to find commonalities, which resulted in the following strategy groupings: small-business expansion, accessible jobs and skills development, strengthening family financial health, and fostering quality neighborhoods. These strategies target resources to those with the greatest need and collectively address the interacting barriers to opportunities that often occur in disadvantaged communities ...

Corp., and the Funders' Network for Smart Growth and Livable Communities), and after reviewing the plans and indicators being used in cities like Washington, D.C.; Chicago, Illinois; and Fresno, California. Across these sources, there was an overwhelming consensus that strategies must focus on small-business development, entrepreneurship, job access (i.e., ability to travel to and be interviewed for jobs and meet minimum job requirements), skill development, financial literacy, and place-based strategies, such as affordable housing to ensure residents can live in proximity to employment centers, though there was no consistency in the exact wording of strategies or how the strategies should be grouped and implemented.

Because of this, I looked across the various sources to find commonalities, which resulted in the following strategy groupings: small-business expansion, accessible jobs and skills development, strengthening family financial health, and fostering quality neighborhoods. These strategies target resources to those with the greatest need and collectively address the interacting barriers to opportunities that often occur in disadvantaged communities, such as providing financial literacy coaching and also developing partnerships with local banks or credit unions to provide financial products that eliminate fees for low-income residents and those building and rebuilding their credit score.

A community's prioritization among these strategies is best guided by community assets, local and regional business clusters, and an understanding of where inequities have been greatest. When implemented, the strategies would be designed to remove barriers and facilitate access to opportunities — for example, pursuing and investing in industries and businesses that provide entry-level living-wage jobs, allocating program enrollment slots for those who have faced past barriers to participation, and prioritizing transit improvement in transit deserts.

Cog #3: Equitable Change

The expectation is that a more inclusive and equitable system will lead to sustainable employment, livable wages, and high quality of life for all residents, as well as an ongoing community capacity to address past, present, and future structural racism. This expectation is grounded in a compelling pathway of change but has not yet been substantiated with broad evidence. As I will discuss later in this article, there is a need for the field to come to an agreement on measurement and for funders to invest in data systems that will allow cities and neighborhoods to track the effectiveness of their work to increase access to opportunities, reduce barriers, and ultimately create improved outcomes for all residents regardless of race.

State of Measurement in the EED Field

As emphasis on EED has grown, there have been efforts to educate and guide local economic development practitioners toward a greater focus on equity and to pool their insights and commitment to advance the field's practices (e.g., PolicyLink's All-In Cities, Mastercard's Center for Inclusive Growth, the Shared Prosperity

Network, and NGIN). Through this work, the number of communities actively pursuing equitable and inclusive growth is increasing but is not widespread.[2] To increase the pace at which cities adopt equitable and inclusive practices, more evidence is needed that these practices reduce inequities and lead to inclusive growth.

[T]he number of communities actively pursuing equitable and inclusive growth is increasing but is not widespread. To increase the pace at which cities adopt equitable and inclusive practices, more evidence is needed that these practices reduce inequities and lead to inclusive growth.

While it is clear that traditional economic development is not producing equitable outcomes given the persistent racial and gender wealth gap even after sizable resources have been invested in such development (e.g., workforce training, business recruitment, entrepreneurship), we do not yet have strong evidence that EED does create greater equity in outcomes. There are early efforts in places like Minneapolis–St. Paul, Minnesota; northeast Ohio; and Washington, D.C., to track these outcomes, but as of yet there is virtually no empirical evidence that equitable economic development practices result in greater equity for all residents, a high quality of life, and a narrowed racial wealth gap.

This lack of evidence is partially due to the challenges that come with trying to measure whether equitable practices lead to higher household income and greater wealth for all community residents and decreasing disparities between racial groups and by gender. Some of these challenges include:

- *No common definitions for key terms.* The terms inclusive growth, equitable growth, and EED are used by practitioners, researchers, and funders in inconsistent ways and are rarely defined. Without consistent terms and common definitions, there is no consensus on the "it" that communities are working to create; intended outcomes vary based on a community's definitions.
- *No common measurement strategy.* To build a case for EED, it is important to measure the effectiveness of EED practices within a community. Ideally, we would also be able to roll up the evidence across communities and present evidence at a national level about the effectiveness of the strategies. This would help the field understand the overall accomplishments of these innovative methods or create benchmarks that can help cities understand their comparative progress. Creating common metrics would require that consistent outcomes are tracked by organizations within a community and also across the country, and what success looks like or how to measure it.
- *Cost of disaggregating data.* Another barrier to measurement is the cost and complexity of collecting and analyzing data disaggregated by race or other demographic characteristics, which is needed to understand how subgroups are benefiting from the EED policies and programs. This is a costly process because many of the administrative data elements relevant for tracking the effectiveness of EED (e.g., the number of

[2] While there has been no survey of cities and their economic development practices, the conversations among practitioner groups (e.g., NGIN, American Planning Association, International Economic Development Council) and in the grey literature, as well as during the author's interviews with key stakeholders in the field, indicate that inclusive growth practices are still fairly nascent. Within large and midsize cities, the concepts are being discussed, but the author's research indicates that very few cities are currently engaged in intentionally reducing barriers and increasing opportunities for all citizens, particularly those who have experienced systemic racism and other barriers.

Foundations working to grow cities' commitment and capacity to do the needed measurement are essential to making progress. With this investment, more cities can prioritize collecting data, collect data more consistently, and ensure that they measure changes in access to opportunities and removal of barriers.

new business starts, accessibility to employment centers, unemployment rate) are not disaggregated by race at a geographic level that is useful to understand effectiveness. There are ways to work around this; for example, the Center for Economic Inclusion (n.d.) has created Tableau maps that overlay variables to show how areas that are majority people of color fare relative to majority-white areas (e.g., a map that overlays employment rate, poverty, and race). Each of these methods, though, require resources beyond a simple analysis of administrative data, whether it will be for more complicated analysis, mapping, or additional data collection.

- *Lack of expertise in measuring equity.* Finally, while there is growing expertise among some researchers and evaluators about how to best measure equity in the context of inclusive growth (i.e., importance of tracking process, reduction of barriers, and access to opportunities), this expertise is not widespread among practitioners in the economic development field.[3] This lack of experience hinders cities' ability to define needed changes and refine how to measure progress and effectiveness.

These challenges are real. They can only be overcome by prioritizing and sufficiently funding efforts to address them. Foundations working to grow cities' commitment and capacity to do the needed measurement are essential to making progress. With this investment, more cities can prioritize collecting data, collect data more consistently, and ensure that they measure changes in access to opportunities and removal of barriers.[4] Evidence can increase effectiveness and accountability in local strategies and build the evidence base nationally, which will increase the adoption and support of these critically important strategies.

A Path Forward: Exploring a Sample Measurement Framework

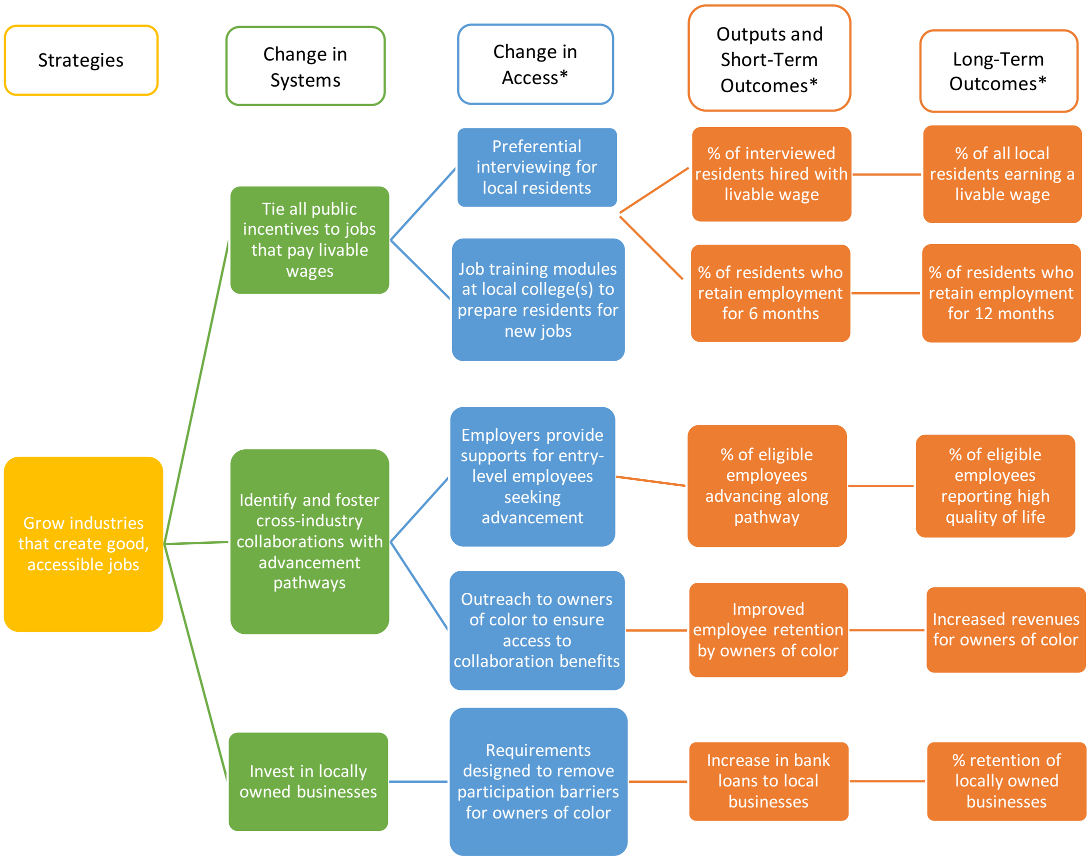
As mentioned earlier, achieving equitable and inclusive growth will require changes in the systems designed to foster growth — in the way they operate (Cog No. 1), such as whether they include residents in the program design process; the strategies they invest in (Cog No. 2); and how those strategies are implemented (Cog No. 3), such as where the new buses are deployed and improved transit service is focused. Therefore, when we seek to understand if EED efforts are leading to equitable and inclusive growth, we must use a measurement strategy that measures change at each of these levels.

How might this multilevel approach be structured and measured? To illustrate (See Figure 2), we can focus on the "Growing Industries That Create Good, Accessible Jobs" sub-strategy listed in Figure 1. The "strategies" column connects

[3] These observations are based on the author's experience working with leading organizations and foundations that focused on EED and observing how they are struggling with measurement. Additionally, a review of growth and economic development indicators and outcomes for cities across the country shows that very few are actively integrating equity-related indicators into their measurement strategies.

[4] Because change takes time, cities need to track changes to barriers and opportunities. These changes are a powerful indicator that equity is building and laying the groundwork for improvement in long-term outcomes (e.g., high quality of life, livable wages).

FIGURE 2 Sample Measurement Framework: Growing Industries That Create Good, Accessible Jobs



*These indicators should be measured in a way that allows for disaggregation of data. The exact variables by which you'll want to disaggregate data will depend on the inequities a community is working to address, such as race, location of residence, age, level of education.

to the strategies being invested in, while the "changes in systems" and "changes in access" columns capture changes in system operations and implementation approach. In this example, the sub-strategy requires changes in economic development and workforce practices to foster equitable growth: There would need to be intentional effort to ensure that implementation includes business owners of color and their trade organizations as well as intentional access to training and interviews for local residents, people of color, and low-wage workers at existing employers. As such, the framework highlights, for each stage, the indicators of system change and the indicators that might be needed to increase access to implemented programs and practices.

It also lists outputs and short- and long-term outcomes. In this example, those outputs and outcomes are for individuals in the community (e.g., residents, employees, employers, and business owners). For other strategies, the indicators might include outcomes at the neighborhood or community level as well, such as commercial space affordability or preservation of culture. In all cases, it is critical to disaggregate data by characteristics that have been connected to historic inequities, such as race or ethnicity, so that EED stakeholders can understand how strategies are affecting different populations and to ensure that those who have been disadvantaged in the past have greater opportunities and participating in any growth that is occurring.

Tools

To ensure that progress is made and that the equitable focus is not lost in the hard work of creating growth, it is important to measure the interim changes on the path to intended outcomes from EED.

It is important to note that these measures are illustrative rather than comprehensive. The systems changes or changes in access that a community might need to put in place will be affected by its residents' existing skills, the local economic environment, the existing policy and program environment, and past and present discriminatory practices.

When developing a full measurement framework, a community will need to map out each of the EED strategies it is pursuing and then begin the process of identifying needed changes and ways that it will know if those changes occurred. This process is similar to the ones organizations and communities are already using for developing measurement strategies. What will be important is to bring focus to what is likely to be an extensive list of strategies. It will be useful to focus on key priorities and narrow measurements to those strategies and changes. When measurement plans become too complex or comprehensive, they become a burden and too difficult to implement (i.e., requiring too much staff time and resulting in incomplete or poor-quality data). In the context of EED, there is also the risk that stakeholders will have the tendency to simplify the measurement process by dropping the equity measures because, as mentioned earlier, this is a new skill for many communities and a resource-intensive process.

Principles for Developing Measurement Strategies

In addition to this measurement example, there are principles that can guide effective measurement of inclusive and equitable growth. These principles are informed by deep experience in evaluating place-based change and changes in equity, and with EED practices.

Principle No. 1: Measure Systems Change as Well as Ultimate Outcomes

Equitable, inclusive growth will not occur without considerable and intentional effort on the part of local stakeholders. It will require changes to existing systems and increased investment in removing barriers to those who have been excluded from opportunity in the past (Essex County Community Foundation, 2020). Using the framing developed by Kania et al. (2018), there will need to be explicit structural changes (i.e., policies, practices, and resource flows), semi-explicit changes in power dynamics and relationships, and transformative changes in stakeholders' mental models.

To ensure that progress is made and that the equitable focus is not lost in the hard work of creating growth, it is important to measure the interim changes on the path to intended outcomes from EED. These progress measures should include indicators of structural changes that shift barriers, such as removal of questions about criminal history from employment applications (i.e., "ban the box" campaigns), and increase access to opportunities (e.g., the use of alternative measures of credit worthiness for small-business loans), as well as changes to power dynamics and relationships (e.g., resident leaders hold voting seats on the local economic development corporation board, and steps have been put in place to build their capacity to fully participate).

Principle No. 2: Dedicate Resources to Data Collection and Analysis

In addition to measuring systems change, there are two other types of data that are critical for measuring outcomes of EED and the presence of equitable, inclusive growth and that are not readily available:

- *Administrative data at the neighborhood level that can be disaggregated.* There are

considerable administrative data available at the city level (e.g., Decennial Census, American Community Survey, Home Mortgage Disclosure Act) that can be disaggregated to track outcomes by race, ethnicity, education, and other characteristics that may relate to historic inequities. For select cities, there is also the National Equity Atlas (2020), which tracks "how communities are doing on key measures of inclusive prosperity" (para. 1). Unfortunately, these rich data are not available at the neighborhood or district level, which are often the geographies of interest for EED or revitalization efforts. At the level of census tract or ZIP code, there are less data available in general and virtually none that can be disaggregated by race or ethnicity. For example, it is not possible to track new business starts by owner characteristics at a neighborhood level without primary data collection.

- *Program level data that can be disaggregated.* Programs serving workers, residents, entrepreneurs, and business owners can more easily track additional metrics to help measure equity in addition to outputs and outcomes, but doing so requires more staff time and assistance in helping to design the data collection instruments and the data management systems.

In each case, resources are needed to collect the data and to support the additional analysis that is required to disaggregate and analyze data for subpopulations. For foundations and cities that prioritize equitable and inclusive growth, they must fund efforts to collect and analyze the data needed to truly understand progress being made, challenges being faced, and places where progress is insufficient.

Principle No. 3: One Size Doesn't Fit All

Communities should consider which metrics can be collected reliably and are appropriate proxies for intended outcomes. Effective EED must be grounded in local assets (e.g., existing business mix, unique cultural heritage, natural amenities), and designed to take into consideration community challenges (e.g., low-skilled workforce, brownfields, vacancy) and the community's unique history and present reality of racism and oppression.

Effective EED must be grounded in local assets (e.g., existing business mix, unique cultural heritage, natural amenities), and designed to take into consideration community challenges (e.g., low-skilled workforce, brownfields, vacancy) and the community's unique history and present reality of racism and oppression.

This unique combination of characteristics will define the community's approach to inclusive growth, its priorities for change, and the specific systemic changes and strategies it pursues. Once those are defined, selecting the right metrics will be an easier process. For example, if a community is working to ensure residents are prepared for success in the workforce, and child care access has been a historic barrier, it may implement a strategy to streamline child care licensing and develop a partnership with a community college to train and certify child care workers. The measurement strategy for this community might include measuring availability of affordable child care over time and who is accessing the available slots.

Another major consideration when selecting metrics is identifying those that can be measured reliably for the geography of focus and ensuring that the number of metrics selected are reasonable given available staff time and data collection resources. As mentioned earlier, data

Tools

Foundation funders are in a unique position to help shape the conversation around EED, prioritizing careful consideration about what equity means in specific contexts, who the beneficiaries should be, and needed systems change. They can also help to advance understanding of what leads to equitable and inclusive growth through funding measurement and evaluation.

collection can be very costly. Even with foundation support, communities will likely need to prioritize. It is better to measure a smaller number of metrics accurately and reliably than to attempt to measure a comprehensive list of metrics and finish with data that are incomplete and inconclusive.

Principle No. 4: Learn From the Data

Learning is a critical step in the EED process; use data to see where adjustments are needed in strategy and also in the measurement process. Data's greatest value is helping us to reflect on what we have accomplished, who has benefited, and where adjustments are needed.

These adjustments might be in the strategy being implemented — for example, if a city is working to increase employment accessibility by (1) increasing the number of bus stops in a disadvantaged neighborhood and also (2) reducing the number of bus trips running with delays by 50%, expecting that doing so will increase ridership. If, even after these changes, bus ridership does not increase, then the city can easily see that these changes did not solve the barriers to ridership. They can also explore why ridership has not increased and whether other solutions are needed that would better meet the intended goals.

The adjustments might also be in what is being measured. If an EED coalition is trying to track through an online business survey the percentage of new jobs going to local residents and the survey response rates are very low, the coalition might consider making calls to new businesses to capture the employee ZIP codes or residences, or surveying only a random sample of new businesses to understand trends but not need to report the exact numbers of residents.

Opportunities for Investment and Advancement

Foundation funders are in a unique position to help shape the conversation around EED, prioritizing careful consideration about what equity means in specific contexts, who the beneficiaries should be, and needed systems change. They can also help to advance understanding of what leads to equitable and inclusive growth through funding measurement and evaluation. The following section discusses these opportunities.

Leading From Economic Development to EED

Foundation grantmaking itself should ensure that the programs and initiatives they fund, the conversations they participate in, and the networks they facilitate always:

- Define what increasing equity will mean in each context. What change is needed to ensure that people who have historically been disadvantaged in that place have fair and just access to resources and opportunities and the capacities to use those resources and opportunities to live to their fullest potential?

- Name and center the beneficiaries of economic development work. Instead of framing an initiative as one designed to "enhance the quality of life for residents of 'X' neighborhood," for example, it would be framed as being designed to "enhance the quality of life for longtime Black residents

who have disproportionately experienced negative impacts of past development policies."

- Focus on how economic development is done. Who is setting the priorities and designing the strategies? Do residents or beneficiaries have a voting voice in these conversations, or are they merely asked for input after key elements have largely been decided?

- Include elements designed to elevate complex system dynamics and address root causes in ways that lead to greater equity for those who have experienced past and present systemic racism.

Adequately Fund Measurement

Local stakeholders — cities, economic development organizations, service providers — will need additional resources to be able to track changes in processes, whether barriers have been reduced and access increased, and if outcomes and impacts are being experienced by residents and participants regardless of race or other individual characteristics. It will also be important to provide resources that allow communities time to wrestle with:

1. the changes they need to make in their strategies to increase equity (i.e., move toward EED),

2. how they will measure their progress, and

3. how to reflect on what the data are telling them and what additional adjustments are needed during implementation to deepen their progress toward equitable growth.

Ideally, these resources will be used to fund measurement-focused staff members to ensure that these activities are a priority over the long term.

Summary

Many funders seek to foster equitable and inclusive growth, encouraging grantees to prioritize efforts that will benefit those who have been disadvantaged by past policies and economic development strategies. Doing so, though, is challenging — there are many systemic barriers, localized obstacles, and a lack of evidence to highlight which EED strategies accelerate progress toward access, opportunity, and, ultimately, inclusive growth.

This article laid out factors that have limited our ability to create a body of evidence for EED and provided strategies to move forward, including a sample measurement framework and principles for operationalizing a measurement strategy. If funders use their resources to ensure local stakeholders focus on equity in their economic development efforts and invest in measuring the effectiveness of this work, tracking outcomes for different groups of residents, business owners, or property owners, true learning and progress can be made toward equitable and inclusive growth.

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Tools

Overcoming the Systemic Challenges of Wealth Inequality in the U.S.

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Keywords: *COVID-19, racism, discrimination, segregation, organizational learning, development, systems thinking, systems change*

Tools

Introduction

The galvanizing public murder of George Floyd and the disproportionate impact of COVID-19 on Black and Hispanic people have put structural racism and its influence on wealth inequality in the U.S. into stark relief. As multiracial groups express outrage at these visible disparities, we risk missing the other side of the coin: that wealth inequality in turn fans structural racism.

The role of wealth inequality in reinforcing structural racism, as well as in corroding the viability of our economy, social discourse, natural environment, and government's ability to ensure the public good, threatens our nation's very foundation. While wealth inequality was a major concern in the 2020 presidential campaigns of Sens. Bernie Sanders, D-Vt., and Elizabeth Warren, D-Mass., it now risks being set aside — to our peril.

The fact is that the rich are getting richer, and the poor are getting poorer. In the U.S. alone, the top 1% of families now earn more than 20% of the country's total income, and the top 0.1% hold 22% of total household wealth. Together, the wealthiest 160,000 families own as much wealth as the poorest 145 million families (Matthews, 2014). More recent data uncover an even more dramatic fact: The 400 richest American households paid a lower average tax rate (23%) in 2018 than any other income group. In turn, the rate paid by the bottom 10% of households was an average of 26% (Suez & Zucman, 2019). Furthermore, the gap between rich and poor has been widening since the 1970s; family income has remained flat for the bottom 20% of households while it has increased 60% for the wealthiest 5% of the population (Stone, Trisi, Sherman, & Horton, 2016).

Key Points

- The galvanizing public murder of George Floyd and the disproportionate impact of COVID-19 on Black and Hispanic people have put structural racism and its influence on wealth inequality in the U.S. into stark relief. As multiracial groups express outrage at these visible disparities, we risk missing the other side of the coin: that wealth inequality in turn fans structural racism. Moreover, as they reinforce each other, these two factors erode the social, economic, and political viability of our democracy. Understanding and then breaking this vicious cycle are essential to realizing our renewed commitment to a country that works for everyone.
- This article seeks to draw renewed attention to the damaging impacts of wealth inequality, its root causes, and strategies for overcoming it. More broadly, it presents proposals for what leaders in the nonprofit, public, and private sectors can do to assert our country's underlying moral values of self-reliance and community, rebuild our devastated economy in a way that works for all citizens, and reestablish reason and fairness in the political sphere.
- This article specifically applies systems thinking to identify the root causes of wealth inequality, including structural racism, and then proposes four primary strategies for both fairly distributing and generating new wealth.

Our country's fractured response to COVID-19 has exposed the fault lines between rich and

This article applies systems-thinking principles and tools to understand the root causes of our growing inequality and identify high-leverage interventions to address it.

Tools

poor even more dramatically. Low-paid essential workers, who are disproportionately African Americans or people of Hispanic origin, provide food, health care, delivery, and other services — often without adequate safeguards to protect their health. Others have no employment at all; data show that unemployment has been highest among Black and Hispanic Americans (USA Facts, 2020). Moreover, social safety nets such as public health and unemployment protection have been weakened to the point where they barely serve people's basic needs.

Both in the U.S. and elsewhere, economic inequities and political conflicts are connected to social and racial tensions. Poorer members of the ethnic majority often blame immigrant populations for taking away jobs they perceive as rightfully theirs. Attacks on minority populations are fueled in part by the elite to divert attention from their own complicity in the perpetuation of inequity. Republicans in the U.S., beginning with Arizona Sen. Barry Goldwater in 1964, and even Democrats such as former Presidents Bill Clinton and Barack Obama have used coded language such as "states' rights," "law and order," "ending welfare as we know it," and "illegals" to target people of color and immigrants as the source of the nation's difficulties (Lopez, 2014). Historically, structural racism aimed at Black people has persisted since the first slave ships arrived in the Americas in 1619 and fueled our nation's economic growth.

The purpose of this article is to draw renewed attention to the damaging impacts of wealth inequality, its root causes, and strategies for overcoming it. We will look at how wealth inequality intensifies structural racism and undermines the potential of government to ensure a more balanced distribution of resources, generate new wealth, and even stem the COVID-19 epidemic. More broadly, we will propose what leaders in the nonprofit, public, and private sectors can do to assert our country's underlying moral values of self-reliance and community, rebuild our devastated economy in a way that works for all citizens, and reestablish reason and fairness in the political sphere.

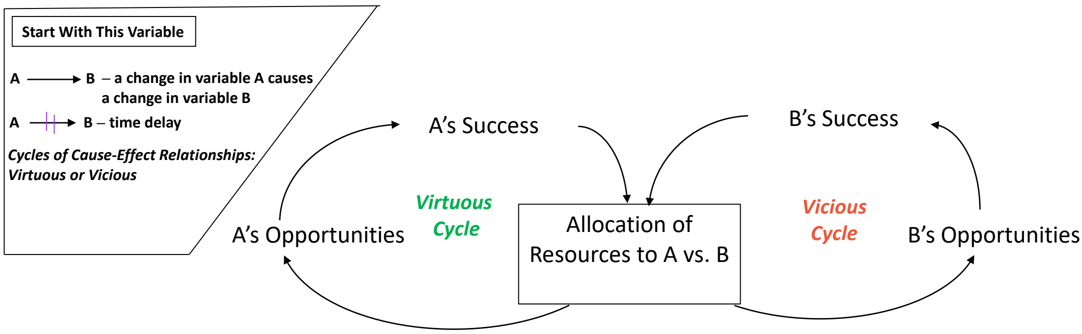
This article applies systems-thinking principles and tools to understand the root causes of our growing inequality and identify high-leverage interventions to address it. Along the way readers will learn:

1. why a systems approach is so important in addressing multiple symptoms of social, economic, and political dysfunction;
2. how a relatively simple systems analysis explains the root causes of economic inequality, social injustice, and political instability;
3. the underlying beliefs and assumptions that drive these dysfunctional dynamics; and
4. four fundamental strategies for achieving greater economic equality, social justice, and political stability.

Benefits of a Systems Approach

The COVID-19 pandemic represents a unique opportunity both to heighten people's understanding of why the U.S. lags behind other countries in our ability to respond to the crisis and to identify what we can do to build greater system-wide resilience to future threats. A systems approach illuminates often nonobvious interdependencies across seemingly disparate problem symptoms and identifies the root causes that spawn them. It provides several benefits when addressing chronic, complex problems such as wealth inequality and structural racism (Stroh, 2015). Readers can use it to:

FIGURE 1 Success to the Successful



- Focus limited resources: Target a problem's root causes instead of being distracted by its symptoms.
- Shift beliefs: Identify and begin to shift the deeply held beliefs and assumptions that drive ineffective policies.
- Strengthen relationships: Invest to improve relationships among the diverse stakeholders in a system.
- Exercise greater control: Start by making changes where they have the greatest control in the larger system (i.e., over their own intentions, thinking, and behavior).
- Increase leverage: Identify high-leverage solutions that improve system-wide effectiveness in lasting ways.

Success to the Successful: A Core Systems Structure

Systems thinkers refer to the core structure that drives economic inequality as "Success to the Successful" (Meadows, 2008, p. 127) — the tendency for the rich to get richer and the poor to get poorer over time. (See Figure 1.)

Many people understand that opportunity leads to success, and hence agree about the need for equitable opportunities to ensure fairness. However, they often fail to recognize the other side of this relationship: Success in turn creates more opportunity. The implication is that those who benefit from the dynamic often attribute their success to their personal capabilities rather than to the preferential conditions they have benefited from. They similarly assume that people who are not successful are held back more by personal or cultural limitations than by inequitable socioeconomic conditions.

Moreover, the reverse is also true: Less opportunity leads to less success, and less success leads to less opportunity. When resources such as housing, health, education, money, capital assets, natural assets, social connections, and political influence are fixed, early advantages gained by Group A (i.e., an elite) produce a virtuous cycle of greater opportunity and success for this group over time. On the other hand, early disadvantages experienced by Group B (i.e., the majority of citizens) create a vicious cycle of decreasing opportunity and success. Moreover, if the overall resource level grows, Group A can use its early advantage to simply take a bigger share of the pie instead of redistributing it.

The Success to the Successful dynamic not only undermines the potential of many people to benefit from societal resources, it also diminishes their ability to contribute to the society's economic development and social fabric.

Let's look at how these dynamics have played out in the U.S. even before the pandemic dramatized their costs. The factors include:

- how the rich get richer and the poor get poorer,
- the role of racial discrimination,
- the impact of our changing economy, and
- the effect of underlying beliefs and assumptions about wealth inequality and appropriate interventions.

How the Rich Get Richer

The Success to the Successful dynamic has manifested in the U.S. in several ways. First, the virtuous cycle increases wealth inequality by tipping the playing field in favor of the rich. (See Figure 1.) Success in our society is defined primarily in terms of individual achievement, money, and material possessions. While the U.S. uses poverty-fighting tools such as progressive taxation and federally funded housing, education, jobs, and social service programs, these initiatives are weakened by deep beliefs in the importance of personal freedom and self-reliance coupled with a corresponding skepticism of government's role as a force for public good.

Anti-poverty efforts have been further undermined over the last 40 years by policies favoring supply-side economics and reduced government intervention. These policies thrive despite ample evidence that expanding the pie leads to a further hoarding by the rich rather than a redistribution of resources. Additional mechanisms have reinforced the accumulation of resources by the wealthy over this period, including relatively low income taxes for the rich; even lower capital gains taxes; campaign financing laws that allow wealthy individuals and corporations to unduly influence elections; weakening of antitrust enforcement and unions; and programs that grant companies special advantages. The rich continuously fuel anti-government sentiment because government is a countervailing force to the concentration of wealth in their hands.

Even the economic recovery from the 2008 recession favored the wealthy (Schwartz, 2018). Wealth, and even basic financial security, has become increasingly dependent on profits from investments in financial instruments, something only the rich can afford. By contrast, the wages most people count on have remained relatively flat despite significant increases in worker productivity.

People with initial advantages in life tend to develop two paradoxical attitudes about their wealth. On the one hand, many justify their relative success with the belief that they are better and more deserving than others. On the other hand, the superiority that advantaged people experience is often offset by a deep feeling of insecurity. Because money and possessions tend to be only fleeting sources of satisfaction that require continuous reinforcement, and because financially successful people are physically and emotionally disconnected from the poor, they often resist expectations to share their wealth (Kasser, 2002).

How the Poor Get Poorer

If we want to increase upward mobility for the poor, it helps to deepen our understanding of how the vicious cycle not only persists but also amplifies over time. (See Figure 2):

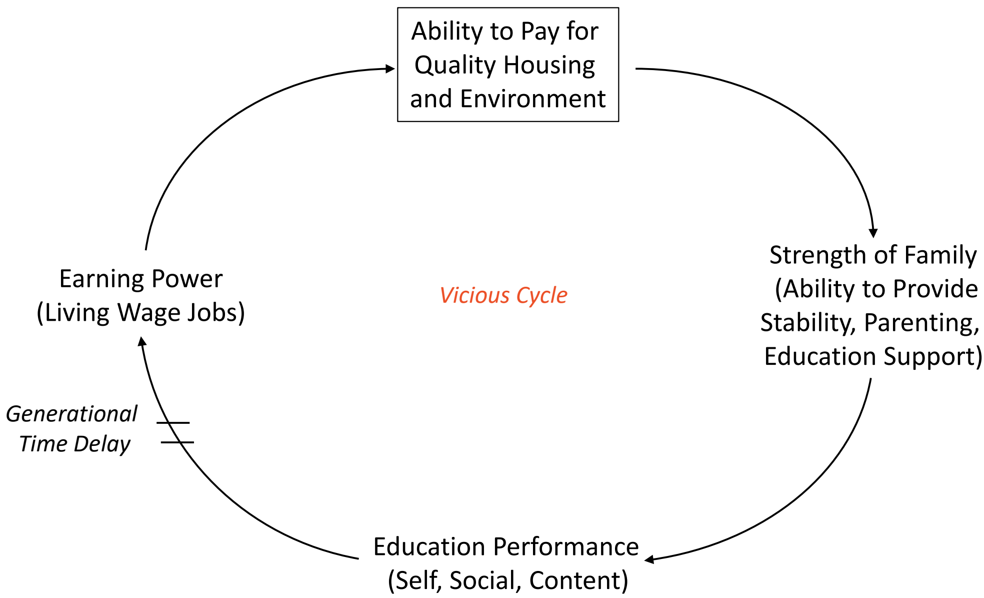
1. Families' inability to pay for quality housing creates additional stressors. For example, families who live in unhealthy spaces can become unstable when they are disrupted by illness or torn apart by crime.

2. Young children are especially hurt by disruptions in family life and poverty. Stress can hamper children's brain development, making learning educational content and developing foundational skills such as self-esteem and emotional maturity difficult.

3. Low educational performance leads to low-paying jobs; low income reduces people's ability to pay for quality housing and healthy environments; and the cycle of poverty continues into the next generation.

There are other vicious cycles as well. For example, low earning power reduces the ability to pay for quality health care and child care, resulting

FIGURE 2 A Core Intergenerational Cycle of Poverty



in additional stressors on families and further undermining the foundations of education and income generation. Another consequence of low earning power is debt: Not only do poor people often have to borrow money just to meet their basic needs, but they also incur interest on that debt that increases exponentially faster than their ability to pay it off (Hudson, 2018). Less visible are the underlying assumptions that many (though not all) poor people develop about themselves that they are less capable and deserving than others — beliefs that undermine their motivation and capacity to break free from these cycles.

One well-meaning yet inadequate response to these dynamics is to break the problem down into parts and try to address each part separately. Many government programs and service providers focus on housing, while others target the environment, health care, family stability, education, or job training. However, these programs generally fail to work together to serve those in need.

Limited by a belief that each issue can only be tackled independently through separate funding streams, organizations simply throw life support after life support to people who are drowning. The result is a dynamic I call "Treading Water," where people strive simply to keep themselves from being pulled down by the numerous vortexes working against them. While well-intended programs prevent some from drowning, the majority are left unable to swim to a desirable shore. In the days of COVID-19, even surviving is more and more difficult to do.

A second form of inadequate response is to provide top-down, expert-driven solutions to problems that can only be solved by the people most affected. Poor people understand better than anyone the need to address multiple problem symptoms in a coordinated way, the importance of relying on their own initiative and the support of others in similar circumstances, and the value of acquiring financial and social capital to permanently climb out of poverty. By contrast, government and philanthropic efforts often undermine rather than empower the very people they intend to help.

The Place of Race

Looking at these dynamics, readers might conclude that Success to the Successful affects people independent of their race.

Limited by a belief that each issue can only be tackled independently through separate funding streams, organizations simply throw life support after life support to people who are drowning. The result is a dynamic I call "Treading Water," where people strive simply to keep themselves from being pulled down by the numerous vortexes working against them.

On the one hand, being a member of the dominant ethnic group does offer a fleeting sense of superiority. Economically marginalized white people in the U.S. are indeed physically safer and more able to assert their values into the political process. They might justify the government supports they receive as compensation for economic forces beyond their control while railing against similar supports going to "undeserving" minorities. Ongoing antipathy toward "welfare" in the U.S., even in the face of the COVID-19 recession, is a signal that racism underlies resistance to invest in social safety net programs such as universal health insurance and unemployment protection (Lopez, 2014).

On the other hand, working-class whites are also victims of efforts to concentrate wealth in the hands of the few (Lopez, 2018). Elites use the "race card" to redirect toward people of color anger that should legitimately be directed toward themselves. For example, former President Ronald Reagan's attacks on so-called "welfare queens" convinced working-class whites that people of color are lazy and undeserving of government assistance. This characterization has been used to justify small government and tax deductions for the wealthy, policies that hurt poor white people as well racial minorities. Former President Lyndon Johnson summarized the effectiveness of this redirection strategy when he observed: "If you can convince the lowest white man that he is better than the best colored man, he won't know you're picking his pocket. Hell, give him someone to look down on, and he'll empty his pockets for you" (Emery, 2016, para. 1).

Yet however triumphant the ethnic majority may feel, the prevalence of opioid addiction, hate speech, violent behavior, and denial in that same population suggest that their self-esteem cannot be sustained by feelings of ethnic superiority. Self-esteem is ultimately dependent on one's ability to provide for loved ones and contribute to society.

At the same time, ethnic minorities are hurt directly in many ways. If they are Black, they are held back by the legacy of slavery and the succession of discriminatory policies related to Jim Crow laws, lending practices, school segregation, school discipline, voting rights, racial profiling, police brutality, and mass incarceration. Moreover, limits on the access of formerly incarcerated people to basic rights such as voting, housing, and employment have disproportionately affected the ability of Black inmates to succeed once they are released from prison. All of these elements of structural racism amplify the dynamics of intergenerational poverty described above. Even philanthropic organizations are biased in their tendency to donate to national nonprofits run by white males instead of to community organizations run by people of color. Black and Hispanic individuals comprise 30% of the U.S. population, but only 10% of nonprofit organizations' executive leadership and 6% of foundations' executive leadership (New Profit, 2020).

Finally, discrimination and segregation not only reinforce each other but also increase wealth inequality. The predominant choice made by the wealthy to separate themselves from the poor reduces opportunities for those with fewer

resources to generate social capital, which is an important source of financial capital. Without sufficient financial or social capital, it is even more difficult for poor people to demonstrate their worth.

The Changing Economy

Prior to the COVID-19 pandemic, a changing economic landscape also contributed to expanding wealth inequality. The usual suspects in increasing inequality have been cost-saving policies pursued by global companies, such as relocating once reliable blue-collar jobs to poorer nations; using technology to replace people; reshaping jobs into part-time gigs that do not provide health or other benefits; busting unions; failing to increase the federal minimum wage in relation to increases in productivity; and using bargaining power to reduce corporate taxes.

A less obvious but more crucial problem is what companies do with the money they save. Most profit increases go into the pockets of shareholders (note the amazing rebound in the stock market since 2008) and corporate executives. By contrast, very little profit is invested in the new markets, products, services, jobs, and training workers need to adapt to changing economic opportunities.

Summary: Dynamics and Beliefs That Create Wealth Inequality

Redressing the imbalances between rich and poor has been ineffective for two basic reasons.

The first is that the virtuous cycles that enable the rich to get richer are very strong. They include (1) the direct use of money to wield political influence to support the interests of a powerful few; and (2) the cultivation of negative attitudes toward minorities and government, redirecting what should be appropriate resentment of class divisions to ethnic tensions and of people with great wealth, or "deep pockets," to the so-called "deep state."

The second basic reason for ineffective redress of the wealth imbalance is that corrective programs to break the vicious cycles that hurt the

Although the Success to the Successful dynamic that produces wealth inequality is inevitable, it is not irreversible. The long-term outcome of the tendency for the rich to get richer and the poor to get poorer is determined by choice.

disadvantaged are too disconnected and top-down to have a meaningful impact.

At its core, wealth inequality involves challenging 10 deeply held beliefs and assumptions:

1. The size of the wealth pie is limited.
2. A rising tide lifts all boats.
3. Government is part of the problem, not part of the solution.
4. The private sector is part of the solution, not part of the problem.
5. If people are rich, it's because they are special and more deserving than others.
6. If people are poor, it's their fault.
7. If we're poor, someone else is to blame.
8. Racism only hurts people of color.
9. Segregation is a natural response to being different from (and better than) others.
10. Sharing the pie doesn't work because it builds up people's dependence.

As we shall see in the next section, shifting these beliefs and assumptions is an essential strategy for reducing wealth inequality and increasing societal stability.

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FIGURE 3 A Broad Agenda to Stimulate Wealth Equality – Four Areas With Supporting Strategies

Area 1: Weaken Virtuous Cycles Favoring the Rich	Area 2: Break Vicious Cycles Hurting the Poor
S1.1 – Reframe the reputation of government.	S2.1 – Empower low-income people to be self-sufficient.
S1.2 – Strengthen government's ability to redistribute existing wealth.	S2.2 – Address racial discrimination.
S1.3 – Strengthen government's ability to create new wealth.	S2.3 – Increase collaboration among those serving the poor.
S1.4 – Support everyone to have a voice in our democracy.	S2.4 – Rethink the role of funders.
Area 3: Cultivate Beliefs and Assumptions That Stimulate Wealth Equality	
Area 4: Align Around a Shared Aspiration	

A Broad Agenda for Increasing Wealth Equality and Societal Stability

Although the Success to the Successful dynamic that produces wealth inequality is inevitable, it is not irreversible. The long-term outcome of the tendency for the rich to get richer and the poor to get poorer is determined by choice. As Binyamin Appelbaum (2019) points out, the escalation in inequality in the U.S. over the past 40 years was largely influenced by advice given by both liberal and conservative economists to increase efficiency and output without concern for its destabilizing impact on equality. While he and many others praise the market economy as "one of humankind's best inventions" (para. 15), Appelbaum also points out that the concentration of wealth produced by unbridled capitalism is not in society's best interests. Instead, he proposes an alternative view:

> Markets are constructed by people, for purposes chosen by people — and people can change the rules. It's time to discard the judgment of economists that society should turn a blind eye to inequality. Reducing inequality should be a primary goal of public policy. (para. 14)

Four areas for reducing wealth inequality emerge from the systems analysis in the previous pages. (See Figure 3):

1. Weaken the virtuous cycles that favor the rich in getting richer at the expense of everyone else.

2. Break the vicious cycles that lead the poor to become poorer over time.

3. Cultivate beliefs and assumptions that support the more equitable distribution of wealth.

4. Align around a shared aspiration.

We will look at each of them in turn, recognizing that all four must work in concert for any one of them to be effective. Areas 3 and 4 — cultivating new beliefs and aligning around a shared aspiration — both undergird and are derived from improvements in the first two areas. Philanthropic organizations can target these foundational areas distinctly and as part of the initiatives they undertake in the first two areas. One example of a foundation which pursues

wealth inequality in a systemic way is the Ford Foundation. (See Sidebar.)

Area 1: Weaken Virtuous Cycles Favoring the Rich

Reducing poverty and its destabilizing consequences cannot occur without steps that also redistribute wealth. Otherwise, the dynamics of Success to the Successful will result in the rich getting richer and the poor getting poorer, which in turn will lead to greater economic, social, and political destabilization over time.

Government is an essential actor in ensuring redistribution because it is the only sector uniquely charged with supporting the public good. The following are four strategies to weaken the virtuous cycles that concentrate wealth in a few hands. (See Figure 3):

- S1.1: Reframe the reputation of government.

Equality Initiatives at the Ford Foundation

Many foundations are committed to reducing one or more aspects of domestic inequality as part of their portfolio. For example, the W.K. Kellogg Foundation invests in increasing racial equity, the Bill & Melinda Gates Foundation funds innovations in K–12 education in low-income areas, and the Annie E. Casey Foundation is rolling out an expanded commitment to child welfare reform.

By contrast, the Ford Foundation has maintained a singular focus on reducing inequality for the past 80 years. It approaches inequality along multiple dimensions: economic, political, and racial. Its U.S. programs align with many of the strategies described in this article. (See Figure 3). These include:

- Supporting think tanks such as Demos, which is committed to empowering people of color to vote, and the Roosevelt Institute, which is dedicated to building a progressive 21st-century economy (S1.1, S1.3, S1.4, S2.4);
- Listening more closely to the direct voices of the people most affected by poverty, through its Civic Engagement program area (S1.4, S2.4);
- Supporting everyone to have a voice in democracy through its Civic Engagement & Government and Workers' Rights initiatives (S1.4);
- Empowering people to become self-sufficient (e.g., through its digital access program; S2.1);
- Addressing racial discrimination through its criminal justice reform efforts (S2.2);
- Directing mission-related investments to support systems, not just social, entrepreneurship. In fact, Executive Vice President for Programs Hilary Pennington believes that investments in social entrepreneurship often backfire because they tend to be driven by businesspeople who do not appreciate the need to partner with government in shaping related public policy and scaling up successful ventures. (S2.3, S2.4);
- Funding nonprofits led by people of color, even though their formal proposals might not look as strong on paper due to insufficient grant-writing resources (S2.4);
- Providing multiyear general operating support to grantees that includes sufficient money for capacity building (S2.4); and
- Investing in cultural narratives — cultivating new beliefs and assumptions — that stimulate equality (Area 3).

- S1.2: Strengthen the government's ability to redistribute existing wealth.
- S1.3: Simultaneously strengthen government's ability to create new wealth.
- S1.4: Support everyone in having a voice in our democracy.

The first step in restoring the U.S. government's ability to serve the public good is to reframe its reputation. The federal government's reluctance to drive and coordinate the fight against COVID-19 is an excruciating example of anti-government sentiment. We need to move from viewing government as an obstacle to a successful society to viewing it as an essential contributor.

Think tanks denigrating government need to be replaced by those that appreciate its value, such as the Niskanen Center,[1] founded by Jerry Taylor (Brooks, 2018). Taylor and his colleagues came out of the Cato Institute, a libertarian think tank that advocates free markets, limited government, and individual rights. Prompted initially by concerns about how to deal with climate change, they came to question the single-minded thinking of people on all sides of the issue. As David Brooks describes:

> Taylor didn't abandon his faith in markets and individual rights, but he decided to abandon the belief that a single ideology can be applied to all problems. There are a lot of different goods in society: liberty, social justice, equity, community, virtue, prosperity. It's crazy, Taylor argued, to prioritize one of those goods in nearly every single policy context. And yet that's what ideologues do. (para. 7)

Brooks continues by recounting the center's surprising finding that "nations that have the freest markets also generally have the most generous welfare states" (para. 10). These nations include Canada, with its increasingly diverse population, as well as Sweden, with its relatively homogenous population. They succeed because they distinguish between two potential roles of government – what Niskanen calls the redistributive state and the regulatory state. These nations combine a strong redistributive state, which provides the safety net to meet its citizen's basic needs, with a limited regulatory state, which fosters the economic freedoms that enable markets to create wealth and pay for the safety net (Lindsey, Wilkinson, Teles, & Hammond, 2018).

CNN commentator Van Jones (2017) points out that both conservatives and liberals represent values that only make sense if they work together (Jones, 2017). He reminds us of our country's allegiance to liberty and justice for all. He characterizes liberty and justice as the two wings of a bird, both of which are essential for flight. We need to stand up for the rights of individuals and our responsibilities to each other. Jones goes on to observe,

> Our [American] creed *E pluribus unum* … means "out of many, one." The liberals want to see more respect for diversity (the *pluribus*), and the conservatives desire an unhyphenated American identity (the *unum*) — but both sets of values are present in the same national motto. That's the genius of America. (pp. 191–192)

A stronger government role in redistributing existing wealth can take several approaches. The wealth taxes proposed by Elizabeth Warren and Bernie Sanders are recent examples. Financial columnist and author Andrew Ross Sorkin (2019) notes that there are also other tax proposals that achieve the same end: eliminating loopholes in the estate tax, increasing capital gains rates, ending real estate loopholes, fixing carried interest, and rethinking the tax-free status of philanthropy. Other proposed financial adjustments include expansion of the earned income tax credit, child allowances in the form of a refundable tax credit, baby bonds to build children's equity, and universal child care on a sliding scale (Kristof, 2019).

Government also has the power to create new wealth (Mazzucato, 2015) — an ability that should be strengthened. Public dollars have been crucial in generating new markets and technologies such as the internet, the iPhone, and clean

[1] See https://www.niskanencenter.org

energy. Government can likewise help redirect investments away from businesses that either concentrate wealth or threaten people's collective well-being in other ways. Examples include monopolies created and maintained by weak antitrust policies and fossil-fuel products that accelerate climate change.

Finally, everyone should have a voice in our democracy. Since the concentration of political power goes hand in hand with concentrated wealth, it is important to support strategies that empower marginalized people. These strategies must be driven from the bottom up as well as from the top down. Top-down strategies include reforming campaign finance laws, eliminating gerrymandering, and removing voting rights restrictions. Bottom-up strategies include strengthening the role of unions, building effective community organizations, and encouraging voting. Encouraging voting takes on even more relevance during the pandemic, since requiring in-person voting or even postponing elections pose new threats to our democracy.

The strategies have to also work across racial lines (Lopez, 2018). Working-class people of all ethnicities must recognize that the system is rigged against them. They need to understand that the suspicions and resentments white individuals and people of color feel toward each other are in no small measure manufactured by the elite who are reluctant to share their wealth with either group. Building multiracial political coalitions serves the well-being of all economically marginalized people, independent of race. The recent multiethnic support for Black Lives Matter protests against police brutality, coupled with outrage over government mismanagement of COVID-19, may indicate that such a coalition is growing against unaccountable leadership and economic deprivation.

Area 2: Break Vicious Cycles Hurting the Poor

Here are four strategies for breaking the cycles of poverty. (See Figure 3):

Building multiracial political coalitions serves the well-being of all economically marginalized people, independent of race.

- S2.1: Empower low-income people to be self-sufficient.
- S2.2: Address race discrimination.
- S2.3: Increase collaboration among those serving the poor.
- S2.4: Rethink the role of funders.

First, as a society, we need to think differently about the poor. Neither blaming economically disadvantaged people nor pitying them as victims helps them climb out of poverty. The alternative approach is alleviating poverty by facilitating self-sufficiency. For example, in his book Toxic Charity, Robert D. Lupton (2011) distinguishes between charitable giving and actions designed to help poor people take care of themselves. This distinction gives churchgoers and potential donors who are averse to "welfare" more constructive strategies for contributing to the poor of all races.

One example of an organization that supports poor families in identifying and meeting their own needs is the nonprofit Family Independence Initiative (FII),[2] which works to empower low-income families to achieve prosperity and avert the pernicious cycling between self-sufficiency and poverty created by welfare policies. As described by New Profit, a venture philanthropy firm that is one of FII's major funders:

> Families come together to set their own goals and help each other find solutions to problems like identifying resources for child care, tuition, or starting a business .... During two years of

[2] See https://www.fii.org

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engagement with FII, families report on average a 22 percent increase in monthly income, a 55 percent decrease in subsidies such as TANF [Temporary Assistance for Needy Families] and SNAP [Supplemental Nutrition Assistance Program], and doubling of their assets. (Eyoel, Kania, & Syman, 2020, pp. 33, 35)

Second, race discrimination is a significant and distinct determinant of wealth inequality. Therefore, ensuring that all people are judged and subsequently treated equitably requires a unique commitment. One commonly accepted framework for addressing racial issues, developed by Race Forward, distinguishes four levels of discrimination and proposes methods for addressing each level:

- *Structural racism* is the bias that is embedded in laws, policies, and practices that impact society as a whole. Some of the highest-leverage policies to address at this level include criminal justice reform, lending practice reform, school desegregation, the creation of mixed-income housing and neighborhoods, minority-owned business development, and improved access to the internet and public transportation. Acceptance is now also growing for providing reparations to African Americans so they can generate and accumulate the wealth they have long been denied (Darity & Mullen, 2020).

- *Institutional racism* is bias that exists within individual organizations. Strategies to overcome it include racial equity impact assessments; trainings in diversity, equity, and inclusion sponsored by the organization; and challenges to discriminatory and exclusionary practices. Specific types of organizations can also take steps unique to their mission.

- *Interpersonal racism* is the bias, both conscious and unconscious, that exists between white people and people of color. Strategies to address it include trainings in diversity and cultural competency, cross- and inter-identity group dialogues, and community events that engage diverse groups.

- *Internalized racism* is the set of negative beliefs that people who are discriminated against hold about their own self-worth and potential. Strategies to reduce this form of racism include mentoring, mono-racial support groups, and counseling.

The third strategy is to increase collaboration among those serving the poor. The Treading Water dynamic described earlier highlights the importance of increasing coordination among the various service providers who seek to break the vicious cycles of poverty. This focus on improving relationships among the parts of a system is consistent with what we know about how to increase system-wide results, in this case greater wealth equality.

We have to address several challenges to improve relationships among those committed to serving the poor, including the reality that:

- Individual programs are easier than system-wide interventions to identify, fund, and evaluate.

- Organizations that want to collaborate tend to serve different stakeholders.

- Collaboration can be thought of as an unrealized opportunity that benefits many stakeholders; however, in contrast with individual programs, it is difficult to mobilize funders to invest in harvesting its potential.

- Since optimizing system-wide performance requires optimizing relationships among the parts of the system, each organization is likely to have to compromise some of what it does now to focus on the unique value it adds to the whole.

Meeting these challenges requires investing in the synergy that exists between the stakeholders. Five conditions for increasing collective impact include a common agenda, shared measurement, mutually reinforcing activities, continuous

communication, and a backbone organization (Kania & Kramer, 2011; Wang, Cooper, & Shumate, 2020). I would add two other criteria. The first is a shared understanding of the root causes of the issue – and in particular how each stakeholder contributes to the problem, not just the solution. The second is meaningful engagement by people most affected by the problem. Together, these conditions provide direction for making the most of complex opportunities that require multisectoral collaboration and centralized governance.

Finally, it is necessary to rethink the important role that funders, and in particular foundations, play in reducing wealth inequality. This role has grown enormously as a result of strong pressures beginning in the 1980s to downsize the role of government in providing a basic social safety net and ameliorating poverty. There are several steps foundations can take to increase their ability to reduce poverty.

The first is to recognize their role in increasing wealth inequality in the first place. In his searing book, *Winners Take All,* Anand Giridharadas (2018) points out that while foundations profess to want to alleviate poverty by breaking the vicious cycles that create it, they are reluctant to weaken the virtuous cycles that have concentrated their own wealth (Giridharadas, 2018). He challenges them to rethink their underlying purpose and to address both sets of cycles if they are in fact committed to increasing wealth for all.

A second major step foundations can take is to support systems entrepreneurship. Systems entrepreneurs address those high-leverage innovations that shift deep systems structures, including changing government systems and creating collective impact (Eyoel et al., 2020). For example, organizations such as Harlem Children's Zone[3] and ProUnitas[4] change relationships among youth program providers, schools, parents, and kids, and in the process provide comprehensive and seamless wraparound services for K–12 students in poor neighborhoods.

A second major step foundations can take is to support systems entrepreneurship. Systems entrepreneurs address those high-leverage innovations that shift deep systems structures, including changing government systems and creating collective impact.

Foundations committed to reducing wealth inequality can also:

- Listen more closely to the direct voices of the people most affected by poverty.
- Fund nonprofits led by these people.
- Invest in capacity building for grantees.
- Support think tanks to promote the kinds of strategies referenced in this article.
- Hardwire issues of equity into the programmatic work they fund.

Area 3: Cultivate New Beliefs and Assumptions

Changing how people think and what they pay attention to are areas of high leverage for changing these structures. Here is a summary of 10 shifts in thinking we need to make to increase wealth equality:

1. Government has important roles to play in balancing public and private interests, redistributing wealth to ensure social and

[3] See https://hcz.org

[4] See https://www.prounitas.org

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political stability, and generating new wealth.

2. Poor people can become productive members of society when they have access to basic resources.
3. The size of the wealth pie need not be limited if the resources that lead to that wealth are renewable.
4. A rising tide lifts all boats only if sufficient attention is paid to redistributing the wealth the tide creates.
5. The private sector is part of the solution as long as it is required to cover the social and environmental costs of doing business.
6. If people are rich, it's likely because they were born into privilege; gratitude and stewardship are healthier responses to wealth than entitlement and hoarding.
7. If people are poor, they might not be responsible for being down, but they still have to take responsibility for getting up.
8. Racism hurts all economically marginalized people, either directly or indirectly.
9. Segregation denies us the benefits of diversity.
10. Sharing the pie works when it empowers people to succeed.

Ways to cultivate such shifts are described in such books as *Nudge* (Thaler & Sunstein, 2008) and *Switch* (Heath & Heath, 2010); they are also the essence of the work of the Full Frame Initiative,[5] a social change organization dedicated to shifting perspectives on poverty and violence.

Area 4: Align Around a Shared Aspiration

What ultimately will lead to a rise in wealth equality is an appreciation of people's shared humanity. We all want to be part of something larger than ourselves. Most of us are motivated at some level to be good parents, do meaningful work that contributes to our families and society, care for the places we live in, and treat others as we want to be treated ourselves.

If we keep our eye on these prizes, we will all benefit. If we elect leaders who value these aspirations, we can all thrive. If we respect natural limits, we can all experience what is limitless. The choice is up to us.

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[5] See https://fullframeinitiative.org

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At Your Service: Nonprofit Infrastructure Organizations and COVID-19

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Keywords: *Nonprofit infrastructure organizations, nonprofit support, community support, nonprofit ecosystem*

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Introduction

For nonprofits struggling to cope with increasing demands for services in a stringent funding environment, COVID-19 poses new challenges to an already stressed business model (Grønbjerg, McAvoy, & Habecker, 2020; Maher, Hindery, & Hoang, 2020). These include restrictions on organizational activities, space considerations associated with social distancing, provisions for personal protective equipment, and increased expenditures for safety and sanitation. Moreover, nonprofits may be contending with diminished access to a vital resource: people who before the pandemic were comfortable volunteering in person.

Where can service-delivery nonprofits turn to address these challenges? Some may bootstrap their own solutions by trying their hand at such new initiatives as creating or expanding online operations, starting commercial ventures, or transforming volunteering from in-person to virtual work. Requests for funding and other support from the "usual suspects" — governments, for-profit enterprises, and foundations — are another response, although those organizations are likely facing pandemic-related issues of their own.

Often overlooked in this ecosystem that supports nonprofits are nonprofit infrastructure organizations (NIOs). Rarely considered in practice or in the scholarly literature, the large constellation of NIOs contains well-known national organizations (e.g., Independent Sector, National Council of Nonprofits) and numerous other national, regional, and state-focused groups. While diverse, NIOs are united by their mission to offer

Key Points

- This article examines the role played by nonprofit infrastructure organizations in assisting service-delivery nonprofits as they confronted the COVID-19 crisis. These organizations are differentiated by their service focus, but are united by a common mission to offer support to other nonprofits.
- The service areas of nonprofit infrastructure organizations can be divided into three categories: those that support the nonprofit sector as a whole, those that assist nonprofit organizations and their staffs, and those that devote their resources to the communities or region they serve. For this article, leaders from these three types of organizations were asked to share their responses to nonprofits that sought help in dealing with the coronavirus pandemic. The diversity of services and business models revealed in the sample illustrates the range of complementary resources that benefit service-delivery nonprofits and their communities.
- This article offers useful lessons for foundations by demonstrating how nonprofit infrastructure organizations have adapted to COVID-19 and continue to support the nonprofits they serve. Through moving grants from restricted to unrestricted funds, foundations empower these organizations to address the needs of nonprofits quickly and strategically. Such flexibility is critical to the success of nonprofits, and the pandemic provides an object lesson to test the idea that foundations should consider funding organizations rather than programs, thus allowing nonprofits to respond to needs that arise outside of the grant cycle.

support to other nonprofits in strengthening capacities, mobilizing resources, providing expertise, building alliances for mutual support, and connecting nonprofits to other sectors. This article examines the role that NIOs can and do play in assisting service-delivery nonprofits as they confront COVID-19, and brings needed attention to an understudied but critically important part of the nonprofit support ecosystem.

This article offers useful lessons for foundations and other types of support organizations by demonstrating how NIOs have adapted to COVID-19 and continue to support the nonprofits they serve. Through moving their grants from restricted to unrestricted funds, foundations empower NIOs to address the needs of nonprofits quickly and strategically. This flexibility is critical to the success of NIOs and other nonprofits, allowing them to adapt in real time to changing organizational and community needs. The COVID-19 crisis provides an object lesson to test the idea that foundations should consider funding organizations rather than programs, thus allowing nonprofits to respond to needs that arise outside of the grant cycle.

We begin by examining NIOs, and identify three archetypes that are differentiated by their focus:

1. the nonprofit sector as a whole,
2. nonprofit organizations and their staff, and
3. the local community.

An organization representing each of the three archetypes in the same geographic region was selected to illustrate the local nonprofit ecosystem. (See Table 1.) The leaders of these organizations were asked about their responses to the pandemic and the consequences of those actions for their organizations, service-delivery nonprofits, and the larger community. The following sections describe the NIOs and the case study approach, and present the findings. The article concludes with discussion and implications of the findings for service-delivery nonprofits that may call on NIOs for assistance, the NIOs themselves, and the community.

This article offers useful lessons for foundations and other types of support organizations by demonstrating how NIOs have adapted to COVID-19 and continue to support the nonprofits they serve. Through moving their grants from restricted to unrestricted funds, foundations empower NIOs to address the needs of nonprofits quickly and strategically.

Nonprofit Infrastructure Organizations

Nonprofit infrastructure organizations constitute a large, diverse category of membership, advocacy, education, research, management assistance, and other entities with a mission to strengthen the effectiveness and capacity of other nonprofits (Prentice & Brudney, 2018). Abramson and McCarthy (2012) observe that regardless of their particular focus, NIOs exist to help and serve nonprofit organizations to "promote the health of the nonprofit sector" (p. 423). Scott, Lubienski, DeBray, and Jabbar (2014) provide an apt example of the work and activities of a "vibrant sector of intermediary organizations" (p. 69) that enables nonprofits not to have to go it alone.

In their study of producing, promoting, and utilizing research in education policy, these authors show persuasively how NIOs play important roles in the nonprofit ecosystem, including in the work of information transfer. Abramson and McCarthy (2012), however, raise the concern that scholars have conducted relatively little systematic analysis of NIOs. This article responds in part to their call. In the COVID-19 era, when

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TABLE 1 Sample Nonprofit Infrastructure Organizations

Organization	Primary Service Focus	Primary Activities
North Carolina Center *for* Nonprofits	Strengthen the nonprofit sector in North Carolina.	• Advocate and lobby in support of causes relevant to state nonprofits. • Educate public on the purpose and benefits of nonprofits. • Provide support to nonprofit members.
United Way of the Cape Fear Area	Support nonprofit organizations and staff in a five-county region of southeastern North Carolina.	• Build local nonprofit capacity. • Fundraise and disseminate funds to impactful local nonprofit programs. • Incentivize programmatic collaboration among funded nonprofit partners.
Cape Fear Collective	Serve local communities in a six-county region of southeastern North Carolina.	• Build social capital. • Increase philanthropy. • Facilitate cross-sector collaboration. • Increase social innovation.

nonprofit service-delivery organizations are facing unprecedented pressures, the need for understanding and application of the work of NIOs could not be greater.

Prentice and Brudney (2018) develop a typology of NIOs based on the focus of their work. Like Abramson and McCarthy (2012), they differentiate between NIOs that (1) serve the sector as whole and those that (2) serve individual nonprofits and their staffs. The first category includes advocacy, public education, and national and state membership organizations, such as Independent Sector, and organizations and associations that promote nonprofit research, such as the Association for Research on Nonprofit Organizations and Voluntary Action. The second category encompasses management training and support organizations, professional development associations, and financial intermediaries, such as BoardSource and United Way Worldwide.

Prentice and Brudney (2018) identify a third category of NIOs, made up of organizations that serve local communities: "Referred to as community or civil society support organizations, these organizations build community capacity by mobilizing resources, connecting community actors across diverse social and economic cleavages, and fostering intra- and inter-sectoral collaborations" (p. 43). Mendel and Brudney (2018) provide numerous, extended examples of the work of these organizations in their study of nonprofit partnerships and collaborations in Cleveland, Ohio.

Data and Methods

This case study evaluates whether and how three NIOs, each representing one of the major service foci identified by Prentice and Brudney (2018), respond to the pandemic-related needs of their region's nonprofit sector.

1. The North Carolina Center *for* Nonprofits focuses on the nonprofit sector as a whole. With over 1,400 nonprofit organization members, the center has as its mission to educate, connect, and advocate for the state's nonprofits (2020).

2. United Way of the Cape Fear Area (UWCFA) is an intermediary organization whose focus is on nonprofit organizations and their staff. As with most United Way organizations, UWCFA (2020) works with the community to assess its assets and

needs; raise, leverage, and allocate community resources and financial investments; and help nonprofits build their capacity to mobilize these resources effectively.

3. The Cape Fear Collective (CFC), which represents NIOs that focus on local communities, is a collective impact and data science backbone organization based in Wilmington, North Carolina. The organization uses big data, fundraising, social innovation, and large-scale initiative management to improve social service delivery and public health in a six-county region in southeastern North Carolina. The goal of the CFC (2020) is to create sustainable impact programs that address social progress across a variety of sectors including economic development, health and human services, climate change, and housing.

The sample organizations were not selected at random. Random sampling is a large-sample technique and is difficult to administer, and even counterproductive, given the purpose to illustrate the potential of different subtypes of NIOs to assist nonprofits in a global pandemic (McDavid, Huse, & Hawthorn, 2012).

Most of the source material for the analysis comes from interviews with the leaders of each of the three NIOs, who were asked the following questions:

1. Has your service focus changed (shifted, broadened, narrowed) since the onset of COVID-19? If so, how?

2. What three initiatives or activities are you doing (or have you done) to serve your constituency since the onset of COVID-19?

3. What three initiatives or activities have you stopped doing since the onset of COVID-19?

4. Do you see the changes you've made as a permanent shift in your business model or a temporary divergence (i.e., you'll revert back to your pre-COVID-19 business model)?

5. Has your resource base expanded (e.g., new funding, in-kind contributions, volunteers) or contracted (e.g., loss of grants, membership dues, campaign contributions, volunteers) since the onset of COVID-19? If so, how?

Findings

Given the NIOs' divergent roles in the nonprofit ecosystem, the results of the interviews with their leaders varied. Nevertheless, some general themes emerged. (See Table 2.)

Expanded Service Focus

All three NIOs reported broadening their service orientation. Although the NC Center *for* Nonprofits has maintained its service focus on strengthening the nonprofit sector and primarily continues to serve the same constituency — its dues-paying members – the organization chose to make its COVID-19-specific resources publicly available to all nonprofits. The other two organizations have adapted to a greater degree and broadened their service focus to include new and different constituencies.

United Way of the Cape Fear Area has expanded its service focus beyond primarily nonprofit organizations and their staff to include a greater focus on the community. The organization has always embraced a broad community perspective, but this interest traditionally was secondary to the purpose of supporting nonprofits that serve clients in the region. Since the pandemic, however, UWCFA has partnered with local governments and nonprofits to financially support and collaboratively manage defined ad-hoc programs to benefit the larger community.

Cape Fear Collective has likewise broadened its service focus to include new constituencies. The CFC has maintained its community orientation while providing greater technical and project management assistance to public and nonprofit partners, particularly through its data science apparatus. This expanded focus was already built into CFC's business model, but the crisis accelerated the timeline given myriad requests from local nonprofits for analytic insights.

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TABLE 2 How NIOs Adapted to COVID-19

Organization	Service Focus	Activities	Operations & Financing
North Carolina Center *for* Nonprofits	Primarily serving the same constituency; made some resources publicly available to nonprofits that are not dues-paying members	• Advocacy to ensure nonprofits received stimulus funding • COVID-19-specific publications containing tools and templates for nonprofits	• Moved member-support activities and Fall 2020 conference to virtual formats • Increased funding and afforded flexibility in current grants.
United Way of the Cape Fear Area	Expanded to serve more community-oriented interests through cross-sector collaboration	• Short-term housing program to de-densify local shelters and provide safe space for individuals to quarantine • Fundraising platform to facilitate and promote local giving and volunteering	• Moved operations and campaign activities to virtual formats • Saw decrease in corporate gifts, foundation grants, and campaign contributions
Cape Fear Collective	Expanded to provide more technical and project management assistance to public and nonprofit organizations	• Technology support and implementation: fundraising platform and tools to facilitate collaboration • Big data analytics projects for public and nonprofit agencies	• Moved operations and community meetings to virtual formats • Saw decrease in major gifts

Note: Table lists new activities; all three NIOs maintained core activities.

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New Activities and Initiatives

All three organizations in the case study developed new programs and initiatives to help nonprofits and their communities respond to COVID-19.

The NC Center *for* Nonprofits continues to engage in the same methods for serving its constituency, but has augmented the nature of those activities to be COVID-19 specific. Its advocacy in support of North Carolina's nonprofits continued, for example, but efforts were increased at the federal and state levels to ensure nonprofits had access to the same stimulus resources that small businesses received. Additionally, the Center routinely develops and disseminates publications that facilitate nonprofit activity (e.g., how to incorporate a nonprofit), but new resources are now almost exclusively COVID-19-specific publications (e.g., a "Return to the Workplace" guide with tips, tools, and templates for re-engaging in face-to-face activity). Notably, all of these COVID-19-specific resources are made available at no cost to all North Carolina charities – not just dues-paying members of the Center – so that the population of nonprofit organizations can benefit.

Among United Way of the Cape Fear Area's new initiatives is a collaborative project to finance and facilitate alternative short-term housing solutions for families and at-risk individuals in local shelters to help them avoid contracting COVID-19, and for individuals without permanent housing who test positive for COVID-19 to help them quarantine and protect public health. These initiatives are accomplished in collaboration with hotels, short-term rental facilities, county and city governments, and other local nonprofits. In cooperation with CFC and other partners, UWCFA also accelerated the launch of the SHARE Cape Fear website (https://sharecapefear.org), which connects the public with local nonprofits and facilitates philanthropic engagement, including providing a searchable database of local nonprofits along with their events, volunteer opportunities, and resource needs.

Cape Fear Collective's pandemic-related activities fall largely into two categories: technology support and implementation, and big data analytics for community benefit. CFC financially supported or collaborated to deploy phone application and website platforms, such as SHARE Cape Fear, as well as others that use technology to foster regional collaboration among disaster-recovery organizations and networks that help individuals requiring respite care to connect with volunteers.

CFC's data analytics initiatives were underway before the COVID-19 outbreak to provide information to local policymakers and nonprofit managers, but were accelerated to meet community needs in the crisis. These efforts provide actionable intelligence to policymakers and nonprofit managers and are driven by internal motivations to identify community needs and communicate them to the public and by external requests from local anchor organizations that capture extensive data but lack the capacity to analyze it — for example, synthesizing data from the local health department and health information exchange to follow COVID-19 progression and outcomes. Much of this analytic work is conducted in collaboration with interdisciplinary faculty at the University of North Carolina Wilmington's Center for Social Impact.

One might reasonably assume that offering new initiatives to address evolving needs during a pandemic would come at the cost of some of the typical activities of these NIOs. In fact, all three did cease to perform some manner of programming — primarily activities that could not be easily replicated virtually. Surprisingly, however, each organization maintained many of its core functions and none of the NIOs in the case study saw the new initiatives as fundamental changes to their business model. The NC Center *for* Nonprofits has maintained its service focus and continues to engage in activities that align with that priority. Although UWCFA is engaging in more community-oriented work and CFC is providing more direct nonprofit support than before, UWCFA is still primarily concerned with supporting nonprofits and their staff, and CFC is still primarily focused on serving the local community.

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Operational Adjustments and Financing

All three NIOs adapted their operations to conform to mandated COVID-19 safety protocols and social distancing guidelines. Much of their work shifted to virtual formats, including the NC Center *for* Nonprofits' face-to-face member-support activities and its Fall 2020 conference, and Cape Fear Collective's internal operations, client engagements, and community convenings. United Way of the Cape Fear Area suspended in-person campaign activities and events for two months before resuming that work virtually.

Some of these changes will likely persist beyond the crisis. Two of the NIOs noted that they have achieved higher productivity by working remotely and are likely to make permanent some of those adjustments, such as teleworking and virtual meetings. UWCFA noted that its volunteer pool has skewed toward younger people as some older and retired volunteers, who are at higher risk, have opted out; it is a trend the organization expects will continue. Although some of these operational adjustments are welcome, others are not. All of the NIOs report doing more work and observed that the increased workload

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is likely to continue, raising concerns about the effects the additional burden will have on employees and the organizations.

All the NIOs observed changes in their financing. The NC Center *for* Nonprofits has benefited from the flexibility afforded by its funders to convert all project-specific grants to general operating support, and has witnessed greater interest in support for the center's work during the crisis. The other NIOs, however, reported declines in their funding support. "The increases we've seen are pennies on the dollars we've lost," said the leader of UWCFA, which is seeing a drop in campaign pledges and anticipates a significant increase in contributions pledged by donors that are not ultimately received; corporate gifts and grant dollars from reliable funders have also declined. CFC also reported that funding has contracted, as several major gifts pledged pre-pandemic "have been put on hold."

Discussion and Conclusion

Prentice and Brudney (2018) present a typology of nonprofit infrastructure organizations defined by their primary service focus, while noting that the categories are not exclusive and suggesting that some NIOs, such as academic centers, adopt multiple service foci. The diversity of service foci and business models in this class of organizations makes its output very broad and yet, as we saw in the activities of our sample organizations, the variety in the work of these entities produces complementary resources that yield greater benefits. These organizations provide multiple functions to the nonprofit sector that, when performed by NIOs serving the same geographic region, result in synergies that benefit service-delivery nonprofits and the larger community.

The complementarity of these organizations can be illustrated in the following examples. First, findings from the NC Center *for* Nonprofits' March 2020 survey of 680 state nonprofits provided insights useful to United Way of the Cape Fear Area regarding the needs nonprofits face, and informed a survey that it administered to funded partners. Second, UWCFA and Cape Fear Collective benefitted financially from advocacy by the NC Center *for* Nonprofits and many other NIOs to ensure nonprofits were included in the Paycheck Protection Program, a U.S. Small Business Association (SBA) pandemic response that provided low-rate forgivable loans to employers that met certain criteria to help keep workers on their payrolls during the crisis. As of August 8, 2020, over 4,200 North Carolina small and moderate sized nonprofits had received more than $165 million in loans (SBA, 2020). Finally, UWCFA and the CFC partnered on the short-term housing and SHARE Cape Fear initiatives, each organization lending unique skills and capacities to support the local community, regional nonprofits, and the clients they serve.

Two primary implications emerge from our analysis of the activities of these three NIOs. First, one must look across all NIOs in a geographic area to understand the full array of supports nonprofit service providers can turn to beyond the "usual suspects." This imperative is evident during crises such as COVID-19, but also remains true for confronting whatever new normal prevails afterward. Second, this research shines a light on the vital role NIOs play in bridging public, for-profit, and nonprofit entities to support the mission-based community work of nonprofit service providers.

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Regional Inclusive Growth Through Systems Philanthropy in Essex County, Massachusetts

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Keywords: *Inclusive growth, income inequality, systems philanthropy, systems change, community foundation, collaborative*

Introduction

Located in northeastern Massachusetts, Essex County is home to 790,000 residents in 34 cities and towns, including some of America's earliest industrial cities (Lawrence and Lynn) and coastal communities (Gloucester and Salem). The county has many strengths, but also many challenges: 11% of county residents live in poverty and 40% earn less than a living wage, which in Essex County is currently set at $84,000 a year for a family of four (Glasmeier & Massachusetts Institute of Technology, 2020). Barriers to the opportunity to attain sustained financial self-sufficiency continue to rise, evidenced by statistics that show home ownership out of reach for many county residents. The region's large immigrant population — 32% in Lynn and 38% in Lawrence — faces language and access barriers to available resources, and once-vibrant industries like manufacturing, fishing, and the arts are struggling. Structural inequities deeply impact the region's economy and quality of life.

Historically lacking leadership, Essex has no county government, infrastructure, or capacity to muster a coordinated countywide response to these challenges. Since 2016, the Essex County Community Foundation (ECCF) has strived to partially fill that role through systems philanthropy — a collaborative strategy applied to stimulate inclusive growth in a region where local industries are struggling to rebuild or reinvent themselves. This article describes ECCF's systems philanthropy strategy, the roles played by the foundation and its partners, and initiatives underway to promote inclusive growth — defined as economic growth that is distributed fairly across society and creates opportunities for all (Organisation for Economic Co-operation & Development, 2020).

Key Points

- In 2016, the Essex County Community Foundation forged a cross-sector coalition of business, community, and civic leaders to identify the Massachusetts region's greatest challenges and to develop a strategy for action. Income inequality was identified as the county's most pressing issue, and the foundation and its partners launched a systems philanthropy strategy to address that issue and stimulate inclusive growth.
- The strategy involves a multipronged approach aimed at amplifying the county's strengths, launching inclusive-growth initiatives, expanding workforce training and skill development to increase a broad target population's earning potential and net worth, incentivizing and supporting small-business resiliency and growth, and revitalizing and reinventing struggling local industries. To measure progress, the foundation maintains quality of life indicators for data on income, equity, businesses, education, and jobs.
- This article shares insights into systems philanthropy, the roles played by the foundation and its business and community partners, and how funders can reduce income inequality by investing systemically in inclusive growth.

The foundation's mission is to strengthen Essex County's cities and towns by inspiring philanthropy, managing charitable assets, supporting nonprofits, and engaging in strategic community leadership. Since 1998, ECCF has awarded nearly $100 million in grants to nonprofit organizations, delivering critical operating, program, and capital funding that has supported a wide range of positive outcomes in the region.

Regional Inclusive Growth Through Systems Philanthropy

The foundation defines systems philanthropy as attracting and deploying philanthropic funds to amplify community-based, collaborative initiatives that address the root causes of systemic social issues and challenges and result in population-level impact (ECCF, 2020). Core to ECCF's community leadership, this strategy is exemplified by community/resident data as a core input; highly collaborative, systems-based solutions; and targeted, growth-oriented, long-term (five- to 10-year) philanthropic investments and engagement.

Reflecting these attributes, ECCF's systems philanthropy highlights three phases of activity:

1. Gather data to identify the county's most critical needs, and convene and engage the community to build the human infrastructure needed to implement long-term change.

2. Identify effective, viable strategies and current capacity to address those needs.

3. With a long-term-partnership lens, invest in these strategies by expanding existing or importing new programs and services that effectively address identified needs.

The foundation's first application of systems philanthropy has been a multipronged approach to regional inclusive growth. Each phase of collaborative action in support of this goal is summarized below. Multiple strategies for shared learning and information inform each phase: An operations team of ECCF staff and grantees meets monthly; a leadership team of all program leaders meets quarterly; and a County Leadership Council (CLC) oversees inclusive growth strategy.

Phase 1 of its inclusive growth strategy began with ECCF's effort to gather countywide data and regularly convene a cross-sector group of stakeholders to systematically identify critical needs impacting the region's economy and quality of life, and to explore their root causes.

Inclusive Growth: Three Phases

Until 2016, evidence that pointed to social issues that most adversely affect the health and well-being of county residents was largely anecdotal. Phase 1 of its inclusive growth strategy began with ECCF's effort to gather countywide data and regularly convene a cross-sector group of stakeholders to systematically identify critical needs impacting the region's economy and quality of life, and to explore their root causes. Data collection and regular, ongoing meetings of local business, nonprofit, and municipal leaders; higher education institutions; and frontline health and social service providers revealed opportunities they could pursue collectively. Methods used by ECCF to collect data to support this process included:

- a community needs assessment;

- community focus groups, including residents and frontline service providers, on areas such as workforce development, housing, transportation, and hunger;

Reflective Practice

Through a collaborative, iterative review of county data, ECCF and its partners decided to focus together on solutions that would address inequities in income and workforce opportunity and, at the same time, revitalize key sectors of the county's aging economy in ways that could promote inclusive growth.

- distribution of surveys to business, nonprofit, and municipal leaders; and
- creation of ImpactEssexCounty.org, an interactive community website that measures the region's quality of life through 105 indicators in education, housing, health, and the economy and workforce. Updated biannually, this public-access resource is designed to help stakeholders identify local needs and monitor progress.

Through a collaborative, iterative review of county data, ECCF and its partners decided to focus together on solutions that would address inequities in income and workforce opportunity and, at the same time, revitalize key sectors of the county's aging economy in ways that could promote inclusive growth. To guide and support this new work, the foundation convened the CLC, a group of 70 engaged cross-sector leaders who gather for biannual strategy sessions, bringing valuable insights and perspectives from around the county. In concert with the CLC and the broader stakeholder engagement, ECCF identified four areas for collaborative action and investment in inclusive growth:

1. financial literacy and self-sufficiency;
2. workforce training, job development, and job placement;
3. fortification and support of key sectors of the regional economy, including manufacturing, coastal industries, health care, information technology, and the arts; and
4. small-business capacity and resiliency.

All programs in these four areas include opportunities for residents earning less than a living wage. Some specifically target lowest-income and minority communities for participation in skill building, technical assistance, capacity building, and other supports. All emphasize closing the income inequality gap upward — improving opportunities for residents through job growth, education, access to capital, financial literacy, and other initiatives.

Instead of creating new programs or mandates, ECCF sought in Phase 2 to amplify and expand existing solutions already working to promote inclusive growth and economic self-sufficiency. Fifty ongoing efforts were identified, and an examination of these programs' goals, target populations, capacities, outcomes, systemic impact, and potential for scale led to the identification of candidates for multiyear investments in each area. Said a program leader who participated in this process, "Nonprofits really liked being asked what works and how a grant could amplify success. This process increased trust and ownership among nonprofits" (Stratton Lloyd, personal communication, March 2, 2020).

In Phase 3, programs advancing inclusive growth in each strategy area have been strengthened through multiyear investment commitments from ECCF and its partners, and by technical assistance that includes strategic planning, budgeting, marketing, fundraising, and ideation support. (See Table 1.) With a 10-year time frame and strategy, ECCF and its partners are moving toward venture philanthropy — a giving model characterized by larger and longer-term monetary commitments coupled with strategic partnership to assist with problem solving, project coordination, and oversight to help

TABLE 1 Building Inclusive Growth in Essex County, Massachusetts

Organization	Funder	Funding	Grantee(s)	Activity	Target Population
Empowering Economic Opportunity (EEO; 4 programs)	Essex County Community Foundation	$1.5 million (5 years)			Lower-income county residents & families
EEO 1: Small Business Loan & Resiliency Fund	ECCF		Mill Cities Community Investments	Microlending, technical assistance, resiliency support	Small & minority-owned businesses
EEO 2: Financial Literacy & Coaching	ECCF		5 Community Action Agencies	Personal finance education & coaching, financial empowerment	Lower-income county residents; CAA clients
EEO 3: Credit for Prior Learning	ECCF		North Shore Community College	College credit earned for specialized skills & life experience	Lower-income adults
EEO 4: Think Labs	ECCF		ECCF-operated	Innovation-focused convenings that tackle specific regional issues & opportunities	State & county leaders in business, science, policy, higher education; investors
North Shore Blue Economy Initiative	UMASS Amherst, State, ECCF, others TBD	>10,000 (more expected)	North Shore Blue Economy Collaborative	Inclusive growth strategies to transform struggling North Shore coastal industries into a blue economy	Leaders in coastal industries, business, science, tourism, higher education; investors; state & municipal policy
Advanced Manufacturing Training Expansion Program	GE Foundation, State, others	$6.8 million (5 years)	NE Advanced Manufacturing Consortium	Advanced manufacturing skills training, workforce development, and job placement in the county	Unemployed/underemployed adults; students at vocational & technical high schools
Merrimack Valley Business Relief	Columbia Gas, ECCF	$10 million (3 years)	ECCF (coordinator & fiscal agent)	Disaster relief & rebuilding; long-range planning & investment in business ecosystem	Affected nonprofits, businesses; municipal leaders; business & lending
Creative County Initiative	Barr Foundation, ECCF, others	$2 million (3 years)	ECCF (coordinator & fiscal agent)	Build region's creative economy through investment in capacity building, cultural planning, cross-sector relationship building, resiliency, & growth	Artists, art nonprofits, small businesses, state & municipal leaders, creative economy

ensure program success and sustainability. This approach is effectively expanding local program capacity, reach, and, in many cases, access to new funding sources. Importantly, this model also enables new programs addressing areas of emerging opportunity or unmet need to take hold.

Empowering Economic Opportunity

Other ECCF-led investments and partner's programs are aligned with a regional strategy of inclusive growth. Empowering Economic Opportunity (EEO) is a three-year, $1.3 million ECCF investment in systems solutions to equip county residents earning below the living wage with knowledge, tools, and opportunities to make economic gains for themselves and their families. Four EEO programs provide a continuum of supports designed to help lower-income residents move up the income pathway:

- *Small Business Loan and Resiliency Venture Fund.* Investment in small businesses creates jobs, increases local commerce, and drives community revitalization. This fund expands a successful commercial lending program led by the Lawrence Partnership, a public-private collaborative, and Lawrence-based Mill Cities Community Investments, a regional provider of commercial lending and services focused on bridging the lending gap in low- to moderate-income communities. The program offers microloans (less than $100,000) to small businesses that are ineligible for standard bank loans (nonbankable) from a fund pool assembled from the contributed capital of banks and partners in the region and a loan-loss reserve contributed by philanthropy. Targeting minority-owned and low-income neighborhood businesses with financial and technical support, the program prepares them to receive loans and maximize long-term success. Program goals are to stimulate small business in economically challenged urban settings, establish a local self-sustaining perpetual loan fund, provide $1.5 million in loans to 60 small businesses, offer financial literacy training and technical assistance to business owners, and preserve or create 200 local jobs.

- *Financial Literacy and Coaching.* Individuals without a strong financial literacy base are more likely to borrow more money, accumulate fewer assets, pay more in financial product fees, and go into debt. To equip people living in poverty with a tool to help put them on a path to economic independence, the countywide Financial Literacy and Coaching program integrates personal finance education into existing services provided at Essex County's five Community Action Agencies (CAAs), expanding their capacity to provide education and coaching to thousands of low-income residents. The CAAs formed a coalition to promote integration of this financial empowerment model within CAAs and other agencies delivering adult education and services to low-income residents.

- *Credit for Prior Learning.* The attainment of a college education directly influences individual income and lifetime earning potential. For most adults earning less than a living wage, continued education or a college degree are financially out of reach. Expanding North Shore Community College's nationally recognized Credit for Prior Learning program gives more adult learners the opportunity to translate their specialized experience and skills into college credit. With a grant from ECCF to administer and grow this program, North Shore Community College is leading a Regional Prior Learning Assessment Consortium of nine area colleges, workforce investment boards, employers, and adult education and ESL providers. Program goals are to decrease the time until graduation by 15%, which can impact thousands; increase graduation rates; and create a better-prepared regional workforce with more earning potential.

- *ECCF Think Labs* convene county leaders, nonprofits, businesses, issue experts, and funders to tackle issues and take advantage of opportunities in Essex County. Think Labs are envisioned as places where new ideas can incubate and coalitions form around specific areas of interest. The North Shore Blue Economy initiative, detailed below, leveraged a Think Lab to broaden engagement and prioritize action. Similarly, Imagining a Stronger Essex County Post COVID-19 — a 2020 Think Lab — is aligning economic and social-sector recovery and rebuilding plans with a strengths-based visioning process, inclusive growth goals, and collaborative infrastructure.

Another four EEO programs have other funding leads but are administered and supported by ECCF and align with the foundation's systems philanthropy approach to regional inclusive growth:

- *Merrimack Valley Business Relief.* In September 2018, gas explosions in Lawrence, Andover, and North Andover

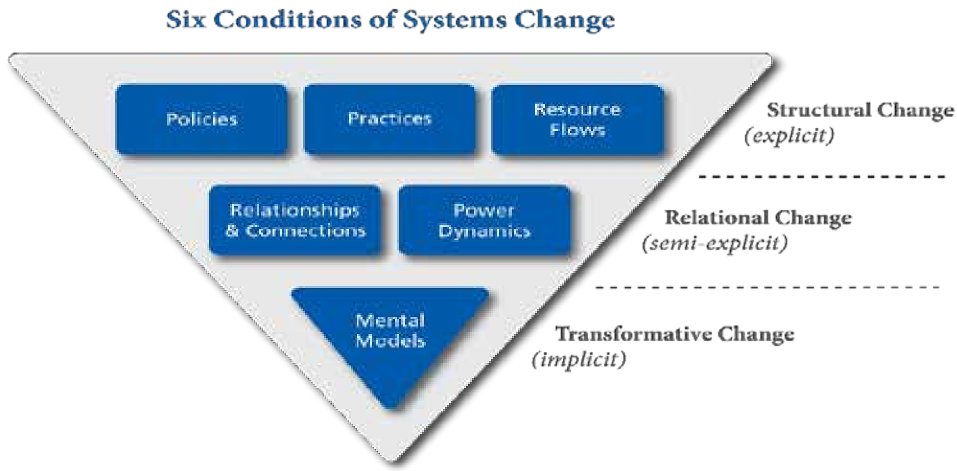
destroyed homes, displaced thousands of residents, and forced the closure of more than 850 businesses, resulting in widespread job losses and disrupting the local economy. Merrimack Valley Business Relief is Essex County's $10 million-plus initiative to support small businesses in the Merrimack Valley in the wake of the disaster. Building on the county's collaborative infrastructure and approach to inclusive growth, a broad coalition co-led by ECCF and including municipal leaders, the Lawrence Partnership, EforAll/EparaTodos, Mill Cities Community Investments, Merrimack Valley Career Center, Massachusetts Growth Capital Corp., and state and federal delegations was formed to help small businesses in the area recover and rebuild. The initiative supported the immediate needs of affected businesses and continues to strategically support ongoing investment in establishing a vibrant small-business ecosystem that will recover, rebuild, and be resilient. The foundation and its partners worked to align the crisis response with ECCF's systems philanthropy strategy, and disaster relief capital helped galvanize collective action and reinforce inclusive growth. Today, the initiative is investing to expand local business resiliency through technical-assistance grants, capacity-building programming delivered by local business-oriented nonprofits, a regional microlending fund, and investment in a new, regional economic development entity focused on macro workforce and industry trends.

- *Advanced Manufacturing Training Expansion Program*. Implemented by the Northeast Advanced Manufacturing Consortium, a partnership of large regional manufacturers with funding from the General Electric Foundation and fiduciary and management support from ECCF, the program is a $6.8 million, five-year investment in vocational-technical skills training, workforce development, and job placement in the North Shore region of Massachusetts. Its goals are to address skills gaps for advanced manufacturing and unmet hiring demand for skilled workers through a six-month training program that results in certification in advanced manufacturing. Following certification, trainees are connected to full-time employment opportunities in Essex County. The program aims to train 900 adult learners and high school students by 2024 — tripling the current training footprint — and place 85% of graduates in jobs through apprenticeships, career support, and mentorship. Targeting high school students at vocational/technical schools and unemployed or underemployed adults, it promotes workforce development among the county's diverse, lower-income workforce and aligns with Massachusetts' recent $2 million investment to address skills gaps in manufacturing.

- *North Shore Blue Economy Initiative*. The World Bank (2017) defines the blue economy as "the sustainable use of ocean resources for economic growth, improved livelihoods and jobs, and ocean ecosystem health." Essex County's Blue Economy Collaborative aims to stimulate long-range investment and job growth to develop a sustainable, resilient blue economy ecosystem on the county's North Shore, and is assessing its coastal industries to identify strengths upon which to build. It is engaging key stakeholders — including business leaders, nonprofit organizations, municipal and community leaders, blue economy experts, funders, and investors — in conversations about regional strengths, challenges, and opportunities to inform next steps in revitalizing and reinventing the region's centuries-old maritime industries. Blue economy industries create well-paying jobs at a range of skill and educational attainment levels, including day labor jobs like boat repair and offshore wind staging, advanced manufacturing occupations, skilled trades, and Ph.D.-level occupations in marine science and engineering.

- *Creative County Initiative*. The arts play an important role in the history, culture, and

FIGURE 1 Shifting the Conditions That Hold a Problem in Place



economy of Essex County, but creative businesses, arts and culture nonprofits, and artists struggle to remain vibrant. Aided by funding and expertise from the Barr Foundation, this initiative's $2 million, multiyear effort invests in local artists and creative enterprise. The goal is to strengthen the creative economy and — with investments in capacity building, cultural planning, education and awareness, cross-sector relationships, and collaborative grants — to create a countywide ecosystem that is sustainable, equitable, and accessible to all. The initiative provides economic opportunity and empowerment to the creative community so that artists can thrive, improve neighborhoods, and bring business and tourism to the region.

These programs have many points of overlap, reinforcing income mobility and inclusive growth across major sectors of the local economy. For example, multiple programs refer participants to financial literacy training and the small-business loan fund. In addition, municipal and state government partnerships reinforce ECCF's systems work, and vice versa.

A Deeper Look at Systems Philanthropy

The foundation's systems philanthropy approach is rooted in systems thinking and systems change, which Kania, Kramer, and Senge (2018) describe as shifting the conditions that hold a problem in place. They outline six conditions of systems change, organized into three levels. (See Figure 1.) This model distinguishes between the types of systems change work that one can embark on and, as a result, empowers practitioners to not only have greater awareness of what their work is, but also to better focus and balance tactics to optimize long-term systemic impact. The foundation has adopted this model for planning and monitoring its systems philanthropy.

Leveraging its position in the community and its core competency of convening and relationships, ECCF began inclusive growth efforts by emphasizing relational change. Phase 1 was committed to building regional partnerships, trust, and political will with the goal of creating and continuously fostering the human infrastructure needed for resiliency and long-term systems work. The foundation and its partners also work toward structural change by influencing resource flows like funding and lending streams. Resources for systems change come from ECCF's discretionary funds and its ability to raise and leverage support from public and private funders, business partners (e.g., General Electric Co.), and higher education institutions. Through grantmaking and advocacy, ECCF is influencing

both public- and private-sector policies and practices to support inclusive growth.

As an example of advocacy, in 2020 the foundation and its partners are playing a leadership role in the Ad Hoc Massachusetts Small Business COVID-19 Response Coalition, which is working to influence state policy by urging the governor to provide economic recovery resources targeting minority-owned businesses and those in low-income communities. Advocacy for state and local funding and policy support for the arts is another ongoing effort. Also, efforts by ECCF and its partners are rapidly changing workforce education practice and participation by increasing capacity for vocational-technical training and workforce development, removing barriers, and expanding enrollment opportunities for workers and students. These programs are also directly and indirectly influencing hiring practices.

Transformative Change

Changing the norms that reinforce existing systems is an emerging focus for ECCF and its partners. Changing how people perceive equity — elevating investor and public awareness of inequity, highlighting the lived experience and missed opportunities inequity creates in a regional economy, and changing people's level of comfort with inequity — will influence new norms or mindsets that can help drive systems change. Feedback on the impact of COVID-19 is playing a role in transformative change by shedding light on unequal suffering in Essex County communities based on income inequality and race. The foundation and its partners see the impact of the coronavirus pandemic as a teachable moment for community awareness and investment in inclusive growth. Other "mental model" examples include normalizing the role and value of artists as key stakeholders in community planning and economic development, and shifting perceptions about the ocean's economic potential beyond fishing and tourism.

While systems change is not a new concept, foundations and nonprofits increasingly see it as a promising way to achieve greater impact. Foundations are well-placed to undertake systems work. Their independence allows them to make choices about entering and exiting systems. They can also adopt many different modes of working in a system, such as fostering innovation and disruption, building consensus, amplifying unheard voices, creating institutions, growing grassroots, investing capital, and reframing arguments (Corner, 2019). Foundations embracing this strategy are, like ECCF, moving beyond grantmaking toward a much larger and more proactive community role.

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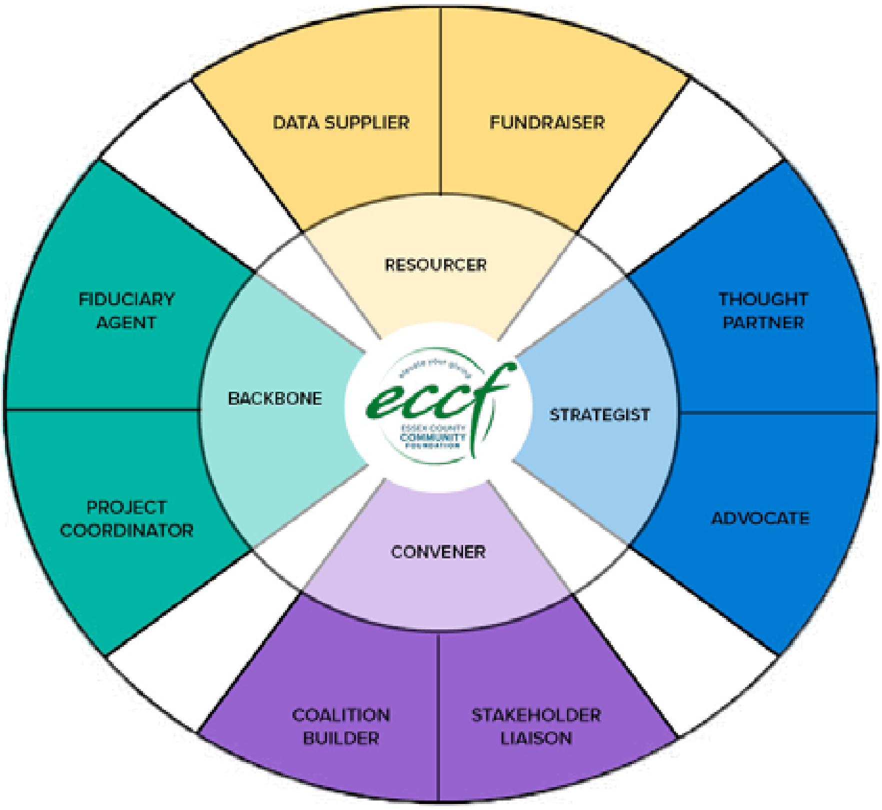
A focus on systems is innovative within the traditional structure and role of community foundations. However, these foundations are particularly well positioned to support systems change given their place-based focus, deep local connections, knowledge of community needs and assets, capacity as funders and conveners, neutrality, and their ability to support collaborative infrastructure and take the long view needed to address the root causes of critical social issues. One ECCF leader observed that the model of systems philanthropy "has become who we are. The community looks to us [for this role] and expects it. Increasingly, it's what makes us relevant as a community foundation" (Stratton Lloyd, personal communication, March 2, 2020).

FIGURE 2 Essex County Community Foundation's Roles



Roles in ECCF's Systems Philanthropy

How do ECCF and its partners work together toward inclusive growth? "Collaborating effectively is key to our model," another ECCF leader observed. "Diverse partners coordinate their efforts and hold each other accountable through continuous communication and common goals" (Beth Francis, personal communication, March 2, 2020). Essex County's inclusive growth initiatives are designed, implemented, and led by a holistic coalition whose partners come from different sectors, share goals, and commit to sustained communication and collaboration to achieve those goals (Wang, Cooper, & Shumate, 2020). Also, by design, regional collaboration operationalizes components of collective impact (Kania & Kramer, 2011). For example, partners share a vision, common goals, and metrics; ECCF leadership and infrastructure support alignment and coordination of activities; and decision-making is shared and data-driven. Coalition partners also play varied and critical independent roles.

The foundation plays multiple roles in regional systems philanthropy focused on inclusive growth. (See Figure 2.) Its primary role is as an accountable backbone organization that convenes and facilitates partners' efforts to enact a common agenda; it also ensures effective coordination and decision-making about partnership activities (Kania & Kramer, 2011). As a community foundation, ECCF has many long-standing community relationships and is a trusted, neutral partner. Collaborative vision, planning, operations, and advocacy are coordinated by ECCF. One ECCF leader describes ECCF's backbone role as "engaged thought partner," "convener and connector," and "servant leader" (Stratton Lloyd, personal communication, March 2,

2020). In addition, ECCF supplies data through ImpactEssexCounty.org and other commissioned research and plays a critical funder role, raising endowment and operational funds as needed and encouraging co-funding from its peers.

Other partners play their own roles:

- *Nonprofit leaders.* Foundation grantees and other nonprofit partners understand community needs and challenges. They inform inclusive growth strategies, implement related programs, and amplify program reach through community engagement, education, and referral networks.
- *Local public-private networks.* Conveners such as the Lawrence Partnership and North Shore Alliance provide small-area connection and network investment opportunities. These groups help extend coalition programs and communications to network participants and their businesses.
- *Municipal leaders.* Each local leader has a vision for their city or town, and they know which segments of the community will be best served by ECCF and other inclusive growth programs. Municipal leaders promote these opportunities in their communities, identifying needs and helping to strategize program uptake and expansion.
- *ECCF's board of trustees.* The foundation's trustees embrace the longer time horizon (five to 10 years) of systems philanthropy relative to that of traditional philanthropy; its higher degree of investment risk; civic leadership and community engagement requirements; and shared responsibility and credit for its accomplishments.
- *State and regional agencies.* These government and public/private organizations play key roles in economic growth efforts. In Massachusetts, they include the Massachusetts Growth Capital Corp., the Massachusetts Development Finance Agency, the Mass Cultural Council, the governor's office, and state and regional planning commissions.

Others engaged in the planning, implementation, and spread of inclusive growth strategies include co-funders and philanthropists, county businesses and employers, social service agencies, and universities, colleges, and vocational–technical schools.

Measuring Inclusive Growth

Inclusive growth in Essex County is measured at multiple levels. ImpactEssexCounty.org and other indicators tracked at the city and county level monitor economic growth and inclusivity through measures of growth in business, jobs, employment, household income, and financial self-sufficiency. Program outputs and outcomes are also monitored. The Financial Literacy program, for example, tracks the number of participants who open a savings account; increase their savings, credit score, or net worth; and report improved financial well-being via a pre–post assessment. New fundraising is assessed as well. Since 2016, ECCF's systems philanthropy initiatives have attracted $19 million in outside, non-ECCF investment.

Key qualitative assessments include:

- Are organizations working together more to promote inclusive growth?
- Is a stronger, more resilient nonprofit sector emerging?
- Is there collaboration or expansion beyond planned scope? For example, Essex County's five CAAs are collaborating for the first time, and in new ways, to support low-income residents.
- Are relationships stronger among local leaders?
- Are fellow travelers emerging who embrace, spread, or advocate for the county's collaborative goals, infrastructure, and programs?

The foundation's systems approach to inclusive growth, for example, has created fertile ground for stakeholder engagement and outside investment in Essex County, and coalition members identified several particular strengths in this area[.]

- Is awareness of ECCF and its role in the community increasing?

Strengths, Challenges, and Lessons Learned

The coalition created by ECCF and its partners is in a position to share its perspectives on the strengths of and challenges posed by the systems philanthropy approach as well as lessons learned from pursuing this strategy in Essex County. The foundation's systems approach to inclusive growth, for example, has created fertile ground for stakeholder engagement and outside investment in Essex County, and coalition members identified several particular strengths in this area:

- *Commitment to collaborative community leadership*. The foundation fills a role as a neutral backbone entity in a county with no government and 34 disparate cities and towns. As such, it also fulfills a requirement of systems philanthropy: leadership for coordinated action. In collaboration with the CLC and many stakeholders, ECCF and its partners have created local leadership and infrastructure to mobilize a shared vision and common goals around inclusive growth.

- *Investment in relationships and human infrastructure*. These investments build cross-sector trust and working relationships. This capacity, manifested in dedicated ECCF staff support, the CLC, Think Labs, and many smaller advisory groups and coalitions, ensures long-term resiliency, teamwork, and agility to work on complex systemic challenges and crises like COVID-19. One partner observed, "The beauty of ECCF's collaborative approach is that the sum is greater than its parts … and we are stronger together" (Derek Mitchell, personal communication, February 21, 2020).

- *Coordinated programs*. A coordinated strategy allows partners and their programs to address different components of inclusive growth and reinforce one another's efforts.

- *Dedicated staff resources and board leadership*. As this work is now part of its strategic plan and priorities, ECCF leadership and its board commit resources, time, and talent to ensure success. The foundation has strong board support and a strategic vision to support its systems philanthropy.

- *Commitment to data gathering*. Central to this strategy are regional data, in the form of indicators, surveys, and convenings, to support problem identification, planning, and evaluation. ImpactEssexCounty.org, now in its fifth year, raised awareness about rapidly changing demographics, widespread income scarcity, and deep pockets of poverty. Compelling evidence of need for innovation in key sectors of the local economy, combined with employer-reported disconnects between workforce supply/education and demand, also helped many business, civic, and nonprofit stakeholders see roles they could play to advance inclusive growth.

The foundation's contributions as seed funder, convener, fiduciary agent, advocate, and source of administrative support also attract investment. Examples of aligned outside investments include the GE Foundation's advanced manufacturing workforce development program and the Barr Foundation's investment in Essex County's creative economy.

Building on System Capacity and Collaborative Infrastructure

Early successes resulting from Essex County's collaborative infrastructure and program achievements have proven effective in attracting recognition and outside investment. Following the 2018 gas explosions, for example, the state of Massachusetts and Columbia Gas of Pennsylvania approached ECCF to manage the philanthropic disaster relief funds for both the residents and the business community. When the governor asked the foundation to step up as fiduciary agent and coordinate the disaster philanthropy, the capacity from ECCF's systems philanthropy activities was already in place to absorb and effectively distribute $13 million to residents and $10 million in business relief. The business recovery work was thoughtfully and collaboratively aligned with the region's broader inclusive growth goals and activities.

The 2018 crisis required ECCF to rapidly activate community relationships and its leadership role. It also propelled systems philanthropy to a larger scale with more urgency, giving the foundation and its partners the opportunity to expedite this approach and hone its effectiveness. The disaster response effort required rapid and effective communication, trust building, deep collaboration, program management, and mobilization of resources and distribution networks.

In 2020, the region's collaborative infrastructure and recent experience from the gas disaster positioned ECCF and Essex County for a rapid response to COVID-19. Efforts to address the pandemic-related economic crisis efforts are well underway, with the Merrimack Valley Business Support Coalition focused on maximizing small-business participation in stimulus opportunities (e.g., the CARES Act), advocacy for additional state and private funding, technical assistance, and capacity building for small businesses. A broader county recovery and resiliency plan for all is emerging.

Challenges

Despite these successes, systems change and inclusive growth in Essex County face many

The 2018 crisis required ECCF to rapidly activate community relationships and its leadership role. It also propelled systems philanthropy to a larger scale with more urgency, giving the foundation and its partners the opportunity to expedite this approach and hone its effectiveness.

challenges. Chief among these are the need to institutionalize change efforts, persistent gaps in response and participation among municipalities, effective measurement of impact, and fundraising.

Some stakeholders questioned how a long-term systems-based initiative like the ECCF's effort achieves impact. "Is it the grit of people who believe in the vision," one partner asked, "or is it the organizations involved that bring about change?" (Derek Mitchell, personal communication, February 21, 2020). Both have been essential in Essex County. Widespread organizational change and cross-sector alignment, however, are not possible without leadership that believes in the vision. One ECCF leader observed,

> Some of the success of this work to date has been relational — it's about the people involved. We're vulnerable to regime change and having to rebuild when key leaders change jobs or retire. Our ability to scale and continue this work depends on building sustainable business models, infrastructure and local capacity" (Jon Payson, personal communication, February 28, 2020).

It is also the case in Essex County that some communities have been more ready to engage than others. This uneven level of response can be traced to a variety of factors, including leadership style, cultural differences, degrees of trust, and

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budget constraints. One ECCF leader observed, "Nearly all municipal officials are on board conceptually with systems change and are active participants in the coalition dialogues. But we have not unlocked discretionary contributions and deeper organizational engagement from all communities" (Beth Francis, personal communication, March 2, 2020).

Another challenge arises in identifying the best models for measuring the impact of systems change. One stakeholder noted,

> For example, we can track recruitment, retention, and graduation from the financial literacy program, but how do we show that these financially literate workers are participating equitably in economic benefits generated from inclusive growth? (Mary Sarris, personal communication, February 27, 2020).

In addition to longitudinal follow-up, ECCF is working on a measurement model that captures broader, systems-level outcomes of inclusive growth.

While ECCF sees substantial donor interest in systems philanthropy and inclusive growth, the foundation also notes that donor cultivation can take time. "Some donors want to see results before they commit resources," one ECCF leader reported, "but resources will be needed to make results visible" (Jon Payson, personal communication, February 28, 2020). In contrast to traditional philanthropy, investors in systems philanthropy must have a growth mindset, a long-range view, a belief in ECCF as a change agent, and greater tolerance for uncertainty.

Lessons Learned

The foundation and its partners identified seven lessons learned through their efforts to promote inclusive growth through regional systems change that can be of use to other foundations and organizations pursuing this work.

1. *Take time to establish trust.* As is necessary for any successful effort to create regional systems change, ECCF began by proactively building relationships and trust that ultimately led to productive collaboration (Payne Simon et al., 2018). Over time, mutually agreed-upon goals, available data related to goals, and good communication enabled individuals to believe in the collaborative, share their knowledge and experience, remain engaged, and pivot to respond to problems when they arose. An ECCF leader noted, "When established trust finally emerged, things happened fast. Today, the partners feel a sense of ownership; they independently move collaborative agendas forward" (Beth Francis, personal communication, March 2, 2020)

2. *De-aggregate data.* The foundation routinely de-aggregates data to shed light on subgroups and geographies with greatest needs and vulnerabilities. For example, compared to county-level data, city-level data are much more instructive and actionable for identifying needs. De-aggregated data quickly reveal that income insecurity deeply and disproportionately affects people of color in the region. The foundation's practice of de-aggregating data and strategy addressing income inequality creates and reinforces a race-equity focus for inclusive growth.

3. *Provide multiyear funding.* Essential to systems philanthropy, growth capital — larger,

longer-term grants — enables nonprofits to commit to collaboration; build competence through staffing, training, and infrastructure development; expand programs; identify and test sustainability strategies; and institutionalize all of these before necessity dictates a focus on new fundraising.

4. *Designate backbone support for regional convening, leadership, and communications.* As the backbone organization, ECCF plays a critical role in advocacy and in aligning and expanding interconnected programs and activities. The foundation also helps maintain communication and vision to support stakeholders' investment of time, effort, and resources over the long term. Within ECCF, two types of support have proven essential: board support, and among senior staff a "servant leader" mindset and skill set to support collaboration and coordination.

5. *Act like a system; look like a program.* Systems work can be daunting and long-term, resulting in fatigue. Teams can become overwhelmed by the effort to understand a system's complexity. Stakeholders immersed in the Merrimack Valley Business Relief initiative adopted this mantra: "Look like a program, but act like a system." They identified smaller systems-change wins that enabled teams to roll up their sleeves and move quickly to act around shared goals. For example, working together to launch an emergency loan fund was a goal partners could accomplish, and one that built confidence to continue the broader work of increasing resiliency among minority-owned and low-income businesses.

6. *Respond with agility.* Collaboration and coordination allow for agile collective learning and recalibration. The foundation meets regularly with partners, the CLC, and leadership teams in each initiative to monitor both tactical and strategic challenges and decisions. Performance indicators established for every project provide a data-driven approach to tracking and refining efforts. Engaging in collective learning allows partners to act quickly, evaluate outcomes and processes, continuously learn, and adapt.

Through systems philanthropy, ECCF and its partners are witnessing firsthand how funders, nonprofits, community leaders, and social entrepreneurs — when incentivized and encouraged to work together through a root-cause lens — can attract the participation of multiple sectors to positively impact inclusive growth.

7. *Celebrate small wins and measure outcomes.* Celebrating small wins demonstrates value to stakeholders and helps those involved feel a sense of pride in their efforts, keeping them energized to tackle other challenges. CuriousCity, a children's museum and project based in Peabody, Massachusetts, and funded by ECCF's Creative County Initiative, provided an immediate visual and tactile success story and resulted in profound community support and municipal engagement.

Looking Ahead

Through systems philanthropy, ECCF and its partners are witnessing firsthand how funders, nonprofits, community leaders, and social entrepreneurs — when incentivized and encouraged to work together through a root-cause lens — can attract the participation of multiple sectors to positively impact inclusive growth. The

foundation and its partners have also seen how regional collaboration builds resiliency and can be rapidly and effectively mobilized to address other crises, such as the Merrimack Valley gas disaster and the COVID-19 pandemic, through economic recovery and rebuilding efforts aligned with inclusive growth goals and strategies.

Where will inclusive growth efforts go from here? Stakeholders believe the work has only just begun. The foundation and its partners will continue to work toward, measure, and achieve desired outcomes in workforce development, job growth, and employment; increasing incomes for people earning below the living wage; business growth and resiliency; and, in several sectors of the local economy, large-scale innovation.

The foundation will continue to foster collaborative relationships and invest in the data and infrastructure necessary for collaboration to flourish. It will play the backbone role where appropriate, and for some programs, like the Blue Economy Initiative, ECCF will play a backseat, supporting role. Inclusive growth efforts will expand geographically to include more low-wage earners, local communities, and businesses. Regional recovery efforts will reinforce inclusive growth and address disparities exacerbated by the economic effects of COVID-19. The pandemic has underscored the need for a local, systems-based strategy of inclusive growth.

The foundation and its partners will continue to measure the impact of this work. While much remains to be done to achieve sustained inclusive growth, with additional funding, efforts could expand to address other structural impediments, such as transportation and housing. Lessons learned in Essex County can inform ECCF and others engaged in place-based systems philanthropy.

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Reflective Practice

What Does It Take? Reflections on Foundation Practice in Building Healthy Communities, 2010–2020

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Key Points

- Foundation practice — how a foundation goes about its work — plays a significant role in determining the results of the work, particularly for foundations that take on roles that position them as part of the action rather than solely as sources of funds.
- This article aims to build upon the lessons from past place-based work by examining the practices of The California Endowment as it designed and implemented Building Healthy Communities, a 10-year initiative to promote health equity. The initiative combined intensive investment in 14 historically disinvested communities with sophisticated state- and regional-level policy campaigns and coalition-building strategies to shift the public narrative toward a deeper understanding of systemic inequities and the potential of people power to transform them.
- More specifically, the article focuses on how the Foundation's board was recruited, managed, nurtured, and leveraged to ensure support for the initiative over 10 years. Long-term community and systems-change work is notoriously challenging for foundation boards. The article suggests seven strategies that appeared key to effective board governance of Building Healthy Communities, and ends with some reflections on what it takes for a private foundation to succeed in such a complex and long-term enterprise.

Introduction

Building Healthy Communities (BHC) is a 10-year, $1.75 billion program of The California Endowment (TCE) that combined intensive investment in 14 historically disinvested communities with sophisticated state- and regional-level policy campaigns and coalition building to promote health equity. Building on the efforts of a generation of place-based "comprehensive community initiatives," BHC is characterized by a unique blend of "proximal" neighborhood-level engagement and sophisticated media strategies to shift the public narrative toward a deeper understanding of systemic inequities and the potential of people power to transform them.

As the conclusion of its initial investment in BHC approached, TCE commissioned multiple retrospective analyses of this extraordinarily complex undertaking.[1] Farrow, Rogers, and Henderson-Frakes (2020), for example, provide an analysis of how power to advance health and racial equity has been built, exercised, and sustained over BHC's 10 years. THP Impact (2020) includes a dashboard of BHC's accomplishments at the local, regional, and state levels, and describes its evolution from a foundation initiative to a broader orientation toward movement building. David and Brown (2020) examine the practices of TCE itself — the roles it played, the structures it put in place, and the capacities it developed in designing, implementing, and

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[1] See https://www.calendow.org/learning-and-engagement/ for more details about BHC, its sites, and various reports and external analyses conducted over the years.

As California's largest private health funder, TCE increasingly faced pressure to demonstrate cumulative results, which drew it — like some other larger foundations around the country at the time — to the idea of increasing impact by concentrating resources in defined geographic areas.

learning from BHC. Additional analyses are in the pipeline.

This article focuses on how the TCE board was recruited, managed, nurtured, and leveraged to ensure support for the initiative over 10 years. Our assumption is that how a foundation goes about its work plays a significant role in determining its outcomes, particularly for foundations that take on roles that position them as part of the action rather than solely as sources of funds (Brown, 2012). Examining the TCE board experience has yielded insights into effective governance of complex, multisite, multiyear initiatives that we hope can be useful to the larger field.

The article is organized into three parts. First is a brief description of BHC's history and the implementation roles the Foundation shaped for itself in order to achieve the initiative's goals. This sets the context for part two, the strategies that respondents identified as key to effective board governance of BHC. The article ends with some broader reflections on what it takes for foundations to do this work well.

To sample the perspectives of multiple BHC participants, we conducted more than 50 phone interviews with current and former TCE board members, executive leadership, and program staff, as well as BHC partners and consultants. We also reviewed outside evaluations of BHC, board materials from 2002–2020, results from community stakeholder and partner studies, and TCE internal reports.

TCE's Role in Creating and Implementing BHC

Established in 1996 as a health conversion foundation, TCE's mission is to improve health outcomes for all Californians. After five years of grantmaking, it developed a strategic framework that included regionalized responsive grantmaking, several focused initiatives, and some statewide public policy work. As California's largest private health funder, TCE increasingly faced pressure to demonstrate cumulative results, which drew it — like some other larger foundations around the country at the time — to the idea of increasing impact by concentrating resources in defined geographic areas. In 2007 the Foundation's leadership proposed in a memorandum to the board a new strategic direction that would "put a stake in the ground at the nexus of place, prevention, and poverty" and connect "local energy, passion, and creativity with statewide change."

Planning for BHC began with several key assumptions. Conceptually, it would be rooted in a broad definition of health that underscored social determinants, and operationally, would require a commitment of at least a decade. Strategically, BHC would expand traditional place-based philanthropy by combining intensive investment in a limited number of communities with statewide policy and systems-change strategies to achieve health equity at scale.

These bold ambitions required TCE to move beyond a conventional transactional approach to philanthropy to one in which the foundation itself would be part of the action, taking a "changemaking" role in setting the agenda and operating simultaneously at the community and statewide levels (Brown, 2012). Our interviews suggest that the Foundation played six new roles that are particularly useful for understanding BHC's goals, assumptions, and accomplishments. These roles are summarized below because they

convey a flavor of BHC's work and set the stage for the governance strategies that are the focus of the next section.[2]

- *Patient Long-Term Investor.* TCE's 10-year commitment of significant funding was probably the most important role played by the Foundation from the viewpoint of grantees and external observers. It acknowledged just how complex the challenge of community transformation would be and allowed BHC partners the continuity to pursue a much longer-term policy agenda and stick with it despite inevitable setbacks.

- *Proximal Ally.* TCE program managers were assigned to the 14 communities, where they spent a good deal of time developing local relationships, fostering collaborative planning and action, and helping turn local ideas into actionable strategies. As they built trust with community activists, the program managers were better able to understand the local landscape, grasp its political dynamics, and support grassroots groups and activities that they would have been hard pressed to identify and appreciate at a distance. Operating "proximally" — or closer to the action than typical — was a different kind of role for a statewide foundation, requiring transparency, political acuity, and a constant balancing between accountability to TCE and accountability to the community.

- *Narrative Driver.* By expanding the boundaries of health philanthropy to encompass the social determinants of health and racial equity, TCE worked to shift the public narrative about what constitutes a healthy community, personified by its widely circulated, branded media messages such as "your ZIP code shouldn't predict how long you'll live, but it does." It continually reframed prevention and health promotion from solely an individual responsibility to identify institutional racism and systemic failings as fundamental barriers to building community health. In addition to broad communications and targeted policy campaigns, TCE commissioned art, videos, social media, advertising, and public events to promote its key messages.

- *Principled Risk Taker.* In its public statements and direct actions, TCE consistently demonstrated its commitment to a set of core values that prioritize principles such as diversity, equity, and inclusion, and health and justice for all. By committing to support community-defined priorities and making deep investments in power-building organizations, it enabled and emboldened local and state-level activists to build their voice and challenge existing power structures. TCE intentionally sought to change the dominant philanthropic narrative about "risk" by reframing these issues and organizations as mainstream public health concerns.

- *Campaign Director.* TCE took the lead in designing and implementing multiple state-level public policy issue campaigns that combined messaging with mobilization around issues such as Affordable Care Act (ACA) implementation, health care for the undocumented, and reform of school discipline policies. Besides contracting with media professionals, TCE staff learned to seek out and listen to the people who are living these issues. They provided new tools, creative designs, technical assistance, and message research to help community-based partners integrate messaging into their voter outreach and health-related campaigns.

- *Strategic Opportunist.* Even with a major investment like BHC, the Foundation retained the budget flexibility to quickly allocate significant additional dollars to pursue timely opportunities that complemented BHC's core purposes, such as California ACA implementation and statewide leadership development for young men of color. The inability to nimbly pursue

[2] See David and Brown (2020) for a fuller articulation of these roles and their implementation.

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emerging opportunities due to "locked in" multiyear funding commitments has vexed other long-term foundation initiatives. But by having a pool of resources that were left unprogrammed in each annual budget, TCE could play both strategic opportunist and patient investor roles, balancing opportunism with disciplined focus.

The combination of community-level and statewide activity, and the wide range of roles that TCE played over the course of the initiative, is unique among foundations engaged in community and systems-change work. Also distinctive is the significant scale and duration of TCE's investment in 14 urban and rural communities. To keep the whole complex BHC enterprise moving forward, the Foundation had to develop new organizational competencies, structures, and practices. Within this ever-evolving landscape, the consistent engagement and focus of the TCE board proved critical. We examine this arena next, as it is one that often confounds foundations engaged in long-term, complex work.

Strategies for Sustaining Board Engagement

Long-term community and systems-change work is notoriously challenging for foundation boards. The work takes place at many levels with many partners; the pace is often slower and more circuitous than anticipated; measures of success are often "soft" and can raise questions about the value of the investment; and both local context and larger macro forces shape the work in unforeseen ways. Efforts to make systems and policies more equitable and to elevate the voices of communities that have been historically marginalized inevitably face political pushback that can become dicey. Some boards start off enthusiastically but find their interest flagging when measurable impacts are not (perhaps unrealistically) forthcoming, other compelling needs compete for their attention and resources, and/or original champions rotate off the board and new members lack ownership of the work.[3]

The TCE board never wavered in its support for BHC. Our study suggests seven strategies that respondents identified as key to effective board governance of BHC.

1. Establish Commitment to the 10-Year Timeline at the Outset

The TCE board approved the vision and broad outlines of BHC in 2007, three full years before the Foundation's 10-year commitment officially began. Before giving its approval, the board did its homework. It reviewed the experience of other place-based initiatives, examined relevant data, and heard from speakers who talked about the complexity and long-term nature of the work. It also heard from staff about the operational implications of adopting BHC's vision, such as staff changes, payout planning, transition planning for grantees that would no longer receive support, and communications. This process helped equip board members to champion BHC in their own settings and networks.

With a 10-year commitment established, potential new board members were recruited with this explicit understanding in mind. All our respondents confirmed that when they joined the board, they were clear on BHC's timeline and the rationale for it. This understanding meant that governance was focused on responsible spending

[3] An example is FSG (2011), *Gaining Perspective: Lessons Learned From One Foundation's Exploratory Decade.* While other foundations have experienced similar challenges, few have produced reports that are available publicly.

while staying the course, implementation issues rather than entirely new program ideas, and positioning the work to have maximum impact in the shifting political and economic environment.

Takeaway: Boards need time to develop a deep understanding of the nature of community and systems-change work and to commit to a long-term timeline, which can then be reinforced regularly by staff and outside speakers and passed along to new board members. These governance supports cushioned BHC against potential external and internal challenges had, for example, there been CEO turnover during the initiative's decade of implementation.

2. Maintain Some Resource Flexibility

Another way of securing the board's robust and enduring commitment to BHC, as well as balancing what is sometimes referred to as "being nimble versus staying the course," was to build in some resource flexibility. About 10% to 20% of TCE's program budget remained in reserve to allow for opportunities that fell outside of the initiative's approved budget but were consistent with the results it aimed to achieve. Another source of more modest flexibility was the Foundation policy that enabled each board member to recommend up to $100,000 annually in small grants that struck them personally and were consistent with BHC's overall goals.

Takeaway: Even boards that make enthusiastic commitments to the work that occupies most of a foundation's resources for long periods of time face the inevitable urge to test the limits of the constraints that such commitments entail. Ten years is a long time to maintain a disciplined funding focus. TCE appreciated this dynamic, and enabled board members to, as one put it, creatively "nibble around the edges" of BHC without being distracted in a damaging way by the "next big thing." Building in enough resource flexibility to be responsive and opportunistic while staying disciplined enough to avoid mission creep or diffusion of resources is a balance that boards need to consider upfront and revisit regularly.

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3. Recruit Board Members Who Share Values But Bring Diverse Backgrounds and Experience

With the help of an outside consultant, TCE undertakes a careful vetting process for potential board members. Candidates must have working knowledge about and demonstrated commitment to addressing health disparities and unequal health care access in underserved communities. Some have come from such communities, others work in or study policies affecting them or otherwise engage in promoting health and racial equity and community voice.

TCE aims to have a board with diverse racial/ethnic backgrounds, experience, and perspectives. Each member brings expertise, networks, and deep knowledge about the dynamics and politics of different geographic regions and populations. The vetting process also shares TCE's list of core values designed to guide its funding decisions and promote its mission, another way of communicating to board candidates the guiding ethos and beliefs that permeate the organization.

Takeaway: Addressing inequities and injustice is at the heart of TCE's mission. Some board members describe it as a calling. There is, however, a fine line between shared core values, which can facilitate effective governance, and lack of ideological diversity, which can undermine effectiveness. Finding that sweet spot calls upon foundation boards to be intentional about

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recruiting diverse perspectives even if board discussions occasionally become more challenging.

4. Build a Board Culture of Respect, Engagement, and Self-Assessment

TCE board meetings occur quarterly over three days following careful leadership and committee planning and substantial material review by attendees. Board members are paid for their time, and attendance is consistently high; they reported taking their participation seriously, feeling their views are heard, and bonding around a shared mission in which all are deeply invested. They also described a collegial, collaborative atmosphere attributed, in part, to the CEO's relational style and preference for making decisions by consensus when at all possible. After rotating off the board, members achieve emeritus status and are invited to a biannual TCE board meeting to get updates about the work as they continue to serve as ambassadors for TCE in their own communities and networks.

As part of its commitment to maximizing the effectiveness of the board as a governing body, TCE has developed a set of practices for evaluating and improving the board's own performance. First, the board assesses itself as a whole on a biannual cycle, with an internal review conducted by the governance committee one year, and, in the next, a more in-depth process of self-reflection facilitated by a consultant. Secondly, the performance of individual board members is assessed annually and at the end of each three-year term as part of the reelection process. Members' contributions are reviewed separately by committee chairs and the board chair with particular attention to attendance, preparation, and engagement, which is defined in an internal Foundation document as the "degree to which the Director shares responsibility and accountability for the Foundation's financial health, operational integrity, and programmatic impacts." The overall goal is to help each other be productively engaged in their shared oversight role. As one board respondent noted, "the board does a pretty good job of self-correcting"; when a member's behavior is not aligned with the culture of the organization, it is called out in order to protect the overall quality of board performance.

Takeaway: The capacity of a board to reflect regularly on its own performance contributes to a strong board culture that reinforces productive engagement and a sense of accountability to one another. As a foundation's focus changes direction or adds the use of new philanthropic tools, as TCE did with BHC, the board can review its performance expectations individually and as a group to make sure they stay aligned with the nature of the work.

5. Embrace an Activist Role Within Established Limits

From the outset, BHC was structured to work in two parallel, ideally synergistic arenas: 14 local communities and statewide policy and systems change. Designers knew that focusing only on "place" would not lead to the scale of change that was needed. In approving the policy and systems-change work, the board understood that TCE was taking on an inherently political role that would require the Foundation to become a strategic player itself as well as support the voice and capacity of others working toward change.

Several years into BHC, the Foundation recruited new counsel and instituted a clearer set of guidelines and procedures for addressing issues like lobbying and conflict of interest. Rigorous and regular compliance training for board members

is accompanied by ongoing staff monitoring. Board members reported widespread trust in the procedures in place to protect TCE from crossing the line into illegal activities or those likely to draw scrutiny in a way that could ultimately undermine foundation effectiveness. When asked what made them comfortable given how many foundation boards express worry about operating in this space, they all indicated that having "clear guard rails" and staff monitoring their decision-making allowed them to embrace the Foundation's role as change agent. No board member questioned the value of an activist stance as a necessary ingredient of TCE's policy and systems-change work and, over time, they became increasingly gratified with the Foundation's influence in the state capital, Sacramento, and comfortable with entering litigation in areas of immigration, food stamps, and other issues affecting the health and well-being of the underserved.

Takeaway: Foundations bring more than grant funds to the enterprise of social change. The shift to more ambitious and strategic roles requires a new use of money, knowledge, networks, credibility, and political capital in order to promote philanthropic goals (Kubisch, Auspos, Brown, & Dewar, 2010). By learning about the use and limits of these different tools and practices, a foundation board can get comfortable exerting the full weight of the foundation's assets in the service of equity and systems change. Clear organizational guidelines empower board members to provide leadership in this arena when appropriate while also investing in building the capacity of the advocacy and policy-change ecosystem more broadly.

6. Encourage Active Learning and Exchange

TCE recognized early on how important it was to help board members understand BHC's work on the ground and instituted two mechanisms through which to further board contact with sites. First, it held periodic meetings at or near each of the 14 BHC sites. Secondly, each board member "adopted" a site to visit at least annually. TCE developed guidelines for these relationships, which included learning questions to consider during the visit and then reflect upon in subsequent board discussions. These practices operated for roughly five years and were then discontinued as the board and TCE began strategic planning for the post-BHC period. Board members reported that even though it was a time- and resource-intensive process, visiting the sites made the work real for them and reinforced their commitment to BHC's timeline.

At the core, board members must understand and learn from a foundation's work in a way that is sufficiently deep and continuous to enable them both to provide effective oversight and accountability and to become powerful champions of the foundation's agenda.

Takeaway: At the core, board members must understand and learn from a foundation's work in a way that is sufficiently deep and continuous to enable them both to provide effective oversight and accountability and to become powerful champions of the foundation's agenda. Seeing the work firsthand makes it real in a way that reports cannot. The challenge is: 1) how to do this in an authentic (i.e., not rehearsed or overly curated) manner that is not too time or resource intensive for either staff or partners; and 2) how to maximize the learning board members take away to inform their governance role. This is a challenge worth struggling with even as each foundation has to find its own vehicles for doing so that are consistent with the nature of its work and its own learning style and culture.

7. Ensure That Evaluation Serves an Accountability Function

BHC's 2007 animating (internal) document, Vision for 2020, described one of the significant changes from TCE's previous funding direction

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as increased "accountability for results." Pledging this kind of accountability and actually implementing it with consistent evaluation data is a lot easier said than done. Like other foundations, TCE struggled with the daunting conceptual and technical challenges to evaluating the ever-evolving multisite, multilevel work of BHC (Kelly, Brown, Yu, & Colombo, 2019).

As TCE's thinking about power evolved over the decade, so did BHC's measures of success from changes in population-level health outcomes to north-star goals more directly tied to its power-building strategies aimed at achieving health equity over the long run. At the same time, broader changes in the evaluation field resulted in a deeper understanding about the need in long-term, complex social change work for a dynamic evaluation and learning system. Included in this system would be multiple components tailored to the different needs of its different users, as well as methods and mechanisms for making meaning of the whole. One of these users would be the board, where a focus on "accountability for results" is of special concern.

TCE board members learned about contributions in support of specific policy and community "wins," but they were unsure how to interpret these successes in the larger context: How could they tell whether these results represented significant impact or not so much given the large investment of BHC resources over time? As one board respondent reported, "At a bluntest level, how do we know we're getting our money's worth? Or should we be using the resources differently toward the same aim? It's not that we don't trust the staff, but we really want to make sure BHC is succeeding as quickly and as fully as possible."

Notwithstanding this uneasiness, board members appreciated the long-term nature of the work and the challenges of measuring impact in sites very different from each other, impacts that are affected by so many factors besides BHC. They were also able to resist a dynamic that has plagued other foundations whereby the board seeks to identify, measure, and claim credit for the unique contribution its resources have made to any one outcome.

Takeaway: Because boards want to fulfill their accountability function effectively, foundations need to, first, place a high value on the role of evaluative data in decision-making and, second, design an evaluation and learning system that supports the goals of the work. Many approaches to designing such a system exist, but at its core it should include a small number of realistic, but robust as possible, indicators (or "vital signs") of progress toward north-star goals. These might involve specific policy "wins," measures of citizen engagement and justice system involvement, neighborhood affordability, and so forth. Such measures are only as good as the larger evaluation and learning system in which they are embedded and should not be overvalued in relation to other sources of data and learning. Nonetheless, articulating such indicators increases the likelihood that all parties agree about what the work is concretely intended to achieve; if the work takes dramatic turns toward new goals, the indicators can be changed. Some "simple" if imperfect indicators measured consistently over time can constitute a starting point, rather than the last and final word, that serves to boost board confidence in its accountability role.

An Additional Asset: The Board/Executive Relationship

A longstanding and productive working relationship between a foundation's CEO and board is a huge asset for foundations supporting complex, long-term work. TCE enjoyed the continuous leadership of Dr. Robert K. Ross, president and

chief executive officer, who was an early architect of BHC's planning period and continued through its decade of implementation. Board members attribute a very productive board/CEO relationship to this stability and to what one respondent referred to as the CEO's "inspiring, authentic, and sometimes disarming style." The accrual of trust between the board and a CEO helps build the entire foundation's capacity to learn and adapt in light of missteps, changing context, and new opportunities. This is the story with BHC. One example of this learning cycle comes from TCE's efforts to establish its "proximal ally" role at the outset.

With the wisdom of hindsight, it is clear that in the early stages of BHC, the Foundation faced difficulties moving too quickly, sufficiently understanding local power and race dynamics, establishing clear and consistent mutual expectations with partners, and managing dynamics of power and control — all familiar challenges in partnerships between foundations and communities. A foundation can consider early missteps as a necessary period of trial and error, but the cost to the participating communities in terms of trust and social capital can be incalculable.

An extensive Community/Stakeholder Engagement Study (Farrow & Rogers, 2017) was conducted in BHC's seventh year to solicit feedback from key partners, external observers, and community participants. TCE leadership shared its overarching takeaways from the study in an open letter to colleagues, partners, and grantees:

> We need more humility from TCE, and less arrogance; we need more true partnership, and less top-down; we need more input into decisions, and not merely communications about decisions that have been made; we need more of an emphasis from TCE on building our capacity to lead change, and less "doing and directing" from TCE staff.

Using this feedback, TCE leadership talked candidly with the board about the need for internal changes if the Foundation was to optimize BHC's potential.

Robert K. Ross summed up for us TCE's experience with BHC: "We set out to transform communities, but we were the ones who ended up being transformed." TCE took on new roles and developed new capacities to promote health and racial equity.

Over time, TCE learned how to listen better and adjust its role as proximal ally. What Ito and Pastor (2018) have referred to as BHC's "pivot to power" represents one of these adjustments. When residents insisted "it's about power," TCE was flexible enough to adapt its own role in convening and funding to prioritize power building. When young people spoke passionately about school discipline/pushout issues and restorative justice at an open forum at a TCE board meeting, the Foundation listened and then incorporated those goals into the body of BHC's work. Inspired by that work, Ross appointed a President's Youth Council to provide him with a formal mechanism to incorporate the unfiltered voices of young people in an advisory capacity. Ross shared with us that his proximity to them "has changed my view of young people as agents of change."[4]

Talking openly with board members about the needed changes — inviting the external study team to present the findings, however critical, and soliciting their candid discussion — drew upon and reinforced trust between board members and the CEO and enhanced the possibilities for improved practice throughout the organization. Indeed, the call for less "doing and directing" shaped the way TCE staff implemented all its roles in BHC's final years. As program managers gained a deeper appreciation

[4] Terriquez and Serrano (2018) and Terriquez (2019) convey youth voices in their examination of TCE's work with youth.

Much of the Foundation's initial framing of BHC was later discarded in favor of a more community-centric approach. As TCE expanded the initiative paradigm's role of the funder, it also opened itself up to a different kind of reciprocal learning relationship with its partners.

for the power ecosystem of each of their communities, they reported in interviews becoming more adept at "recognizing where the energy is," navigating conflict, backing off when appropriate, and "helping communities to evolve rather than attempting to dictate outcomes." Foundation leadership expressed an increased willingness to consider multiyear and general operating support grants, not heretofore a common practice at TCE. Statewide staff gained new perspectives on how to better incorporate community insights, feedback, and genuine participation into more effective strategic messaging and narrative development. Collectively, their experiences helped inform TCE's institutional transformation to embrace a different approach to place-based power building focused on racial equity. As Ross shared with us, "we achieved a better balance as a health foundation by owning up to power and race."

Reflections

Robert K. Ross summed up for us TCE's experience with BHC: "We set out to transform communities, but we were the ones who ended up being transformed." TCE took on new roles and developed new capacities to promote health and racial equity. The Foundation also worked hard to make sure the board was engaged every step of the way. Other reports point to the evolution of BHC's ideas and its specific accomplishments, while our inquiry began by asking "What does it take?" for a private foundation to succeed in such a complex endeavor.

While perhaps not definitive, these four reflections on common philanthropic challenges provide a good starting place. None is unique to BHC, nor "new," but philanthropy can sometimes ignore the lessons of the past so perhaps they bear repeating from time to time. Like other foundations, TCE was able to address them to some degree throughout BHC, but all four of these vexing practice issues would benefit from sustained philanthropic attention and creative problem-solving.

1. It takes thinking outside of an "initiative" box. Looking ahead, one can now more clearly observe the limitations that the frame of a time-limited foundation "initiative" places on not only the conduct of the work itself, but how the foundation sets about to learn from it. The label "initiative" implies novelty, and instead of building directly on existing community assets, it typically necessitates the creation of new structures, jobs, and even organizations that will have to be sustained or discontinued once the foundation's attention has moved on. BHC was TCE's creation, and a very significant investment of its capital and reputation. An "initiative" framework also lends itself to an over-emphasis on a foundation-driven, theory-heavy conceptualization of the work, with accompanying goals, objectives, and plans for implementation developed by foundation staff. Foundations typically face big hurdles in recruiting other funders to "join" their initiatives or pick up the slack when they wind them down.

Much of the Foundation's initial framing of BHC was later discarded in favor of a more community-centric approach. As TCE expanded the initiative paradigm's role of the funder, it also opened itself up to a different kind of reciprocal learning relationship with its partners. Instead of treating all 14 sites similarly as an initiative "cohort," it increasingly permitted more flexibility in local funding strategies based on the particular opportunities that each site's unique history and political context afforded. This, in

turn, helped shape TCE's growing understanding of the power ecosystem in which each site was embedded and the change strategies likely to succeed.

2. It takes thinking hard about the nature of foundation-community partnerships. BHC has demonstrated the value of investing deeply in relationships. By choosing to operate as a "proximal" partner to its chosen communities, it manifested necessary patience and the kind of sustained face-to-face contact necessary to build trust. That approach was essential in communities with long histories of broken promises and unfulfilled commitments from outsiders seeking to effect change. It took years for trusting relationships to be established, forged in moments of difficulty as well as success.

A foundation's proximal relationship with a community differs from one that is embedded, as when a foundation actually is part of the community, or one that is established through an intermediary, or one in which a foundation plays a cultivation and support role (Easterling, Gesell, McDuffee, David, & Patel, 2019). The pros and cons of these and other possible partnership arrangements should be examined carefully upfront when a foundation decides to work with a community. Each one suggests a different role for foundation staff, a different set of governance challenges for boards, and a different way to deploy foundation resources. The choice depends on such factors as the foundation's mission and goals; the time and resources it needs to spend to "get ready" internally to be a competent partner; its willingness to share power and decision-making; and its long-term vision for the relationship in light of its institutional goals.

3. It takes a management culture that values learning. Foundations often play a vital role in learning in multisite and complex work. They can foster individual site learning, organize cross-site learning venues, and aggregate learning to identify broader patterns and takeaways. But what foundations frequently undervalue — and underinvest in — is their own capacity to learn and grow as an organization. This underinvestment hinders the ability of management to create an open and inclusive learning culture throughout the foundation and slows the pace of strategic pivots and innovation.

[W]hat foundations frequently undervalue — and underinvest in — is their own capacity to learn and grow as an organization. This underinvestment hinders the ability of management to create an open and inclusive learning culture throughout the foundation and slows the pace of strategic pivots and innovation.

Like TCE, foundations that support large, multilevel initiatives often face organizational tensions, nuanced or more obvious, among staff assigned to different roles and levels (community versus state policy versus evaluation) or to different sites in which they understandably become invested or to different populations being prioritized across sites. Each group of staff naturally develops its own set of expectations, incentives, loyalties, and informal learning systems. The absence of a cohesive whole, however, can be demoralizing internally and confusing externally.

Foundations often try to address these tensions by reorganizing staff internally, but the barriers can be as much cultural as structural. What is needed is a strong message from leadership and the accompanying supports for developing a shared culture of learning. Operationally, this might mean, for example, that the foundation's vision and values are widely understood and agreed upon throughout the organization; that rewards are built in for collaboration and sharing knowledge and resources; that staff regularly

While everyone is busy making change, someone must take responsibility for overall management of the enterprise. The best ideas and most talented people are unlikely to achieve their full potential if they are not well managed.

examine relevant data for the purposes of collective meaning-making and shared strategy development; and that mechanisms exist for inviting critical peer review and benefiting from the diverse experiences and perspectives of all staff.

Scores of subtle, daily interactions within foundations reinforce some behaviors and values and discourage others. Staff recognize the messages sent in these interactions regardless of what leadership or the organization professes (Hamilton et al., 2005). Candor, curiosity, and humility undergird a vital learning culture. Mutual accountability is key. These are the same values that make for effective foundation relationships with partners and grantees, so it makes sense to invest in their development at "home." Management that accomplishes this aim positions the foundation to communicate clearly and consistently with its external partners and learn much more effectively with and from them.

4. It takes prioritizing change management. Changemaking is a heady and absorbing undertaking, both energizing and exhausting, as often the work must struggle to maintain forward progress against powerful prevailing headwinds of opposition. The deep emotional complexities of the work, combined with the fact that it tends to be so much more than a job for its participants, call for an enhanced level of attention to the importance of sound management practices at all levels of the enterprise. While everyone is busy making change, someone must take responsibility for overall management of the enterprise. The best ideas and most talented people are unlikely to achieve their full potential if they are not well managed. This is something of an industrywide challenge for philanthropic organizations, which typically do not prioritize or exemplify state-of-the-art management practices.

The management challenge is exacerbated when an enterprise is as complicated as BHC, with its multiple moving parts and lines of work. There is no substitute for clear expectations and lines of authority, consistent communications, a commitment to coordination, and mutual respect and accountability in order to achieve optimal alignment of effort. Few foundations have consciously designed themselves to operate in that fashion. Staff and board roles, decision-making processes, internal communication channels, performance standards and human resource policies, and grantmaking practices need to be clear, aligned with the foundation's goals, and consistently executed.

The goal is not to put a rigid structure in place, but rather to reduce the amount of energy staff must exert to get things done within the organization. Without this clarity and transparency, staff learn to keep their heads down and focus only on their own agendas, cutting their own deals with management for going forward. Under these conditions, even passionate and talented staff experience low morale or burn out, and can disengage from the organization in ways that undermine its collective potential.

A Final Note

BHC was a conscious effort to take on new roles and broaden the boundaries of a traditional funder-grantee relationship. TCE's recent commitment to making racial equity a priority provides the opportunity to recalibrate those roles and relationships once again. What that will mean for the next generation of TCE's work remains to be seen. But it suggests the possibility of shaping its role in a larger ecosystem to address the questions that all foundation boards and leaders visit and revisit periodically: What role is the foundation particularly well positioned to play in light of its goals and capacities?

And how can that role build on and enhance the roles of other players in that ecosystem to achieve maximum impact? Rather than support another foundation-designed, time-limited "initiative," TCE can explore multiple partnerships of different kinds with different communities, organizations, and other funders that can align interests and resources to promote the shared goal of racial equity. Through its experience with BHC, TCE brings much to the table for such an enterprise.

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Reflective Practice

Executive Summaries

Results

7 Can Civil Society Be Inclusive? Strategies for Endowed Foundations

Drs Irene M. H. Davids; and Dr Lucas C. P. M. Meijs, Erasmus University

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 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. While the literature on the nonprofit sector is increasingly dominated by a businesslike approach, such practices may not necessarily improve grantmaking for endowed foundations.

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Tools

22 Measuring the Effectiveness of Equitable Economic Development Strategies

Amy Minzner, M.S.C.R.P., Community Science

Equitable economic development activities are designed to foster inclusive growth by dismantling barriers and expanding opportunities for low-income people and communities of color. These strategies are being used with increasing frequency, and advocates and funders are pressing for their use throughout the country. However, in order to understand the link between equitable economic development activities and equitable economic impacts, a new measurement strategy is needed to unmask variations of growth for different populations. This article presents a framework of leading equitable economic development strategies, and proposes an approach for measuring their effects on barriers, opportunities, and end outcomes by population characteristics.

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Tools (continued)

35 Overcoming the Systemic Challenges of Wealth Inequality in the U.S.

David Peter Stroh, MCP, Bridgeway Partners

The galvanizing public murder of George Floyd and the disproportionate impact of COVID-19 on Black and Hispanic people have put structural racism and its influence on wealth inequality in the U.S. into stark relief. As multiracial groups express outrage at these visible disparities, we risk missing the other side of the coin: that wealth inequality in turn fans structural racism. Understanding and then breaking this vicious cycle are essential to realizing our renewed commitment to a country that works for everyone. This article seeks to draw renewed attention to the damaging impacts of wealth inequality, its root causes, and strategies for overcoming it. This article specifically applies systems thinking to identify the root causes of wealth inequality, including structural racism, and then proposes four primary strategies for both fairly distributing and generating new wealth.

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Sector

50 At Your Service: Nonprofit Infrastructure Organizations and COVID-19

Christopher R. Prentice, Ph.D., and Jeffrey L. Brudney, Ph.D., University of North Carolina Wilmington; Richard M. Clerkin, Ph.D., North Carolina State University; and Patrick C. Brien, B.S., Cape Fear Collective

The service areas of nonprofit infrastructure organizations can be divided into three categories: those that support the nonprofit sector as a whole, those that assist nonprofit organizations and their staffs, and those that devote their resources to the communities or region they serve. This article presents a case study of one region in which all three types of organizations were asked to share their responses to nonprofits that sought help in dealing with the coronavirus pandemic. The diversity of services and business models revealed in the sample illustrates the range of complementary resources that benefit service-delivery nonprofits and their communities.

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Reflective Practice

58 Regional Inclusive Growth Through Systems Philanthropy in Essex County, Massachusetts

Lisa Payne Simon, M.P.H., The Philanthropic Initiative; and Stratton Lloyd, M.B.A., and Beth Francis, B.A., Essex County Community Foundation

The Essex County Community Foundation and its partners launched a systems philanthropy strategy to address income inequality and stimulate inclusive growth. The strategy involves a multipronged approach aimed at amplifying the county's strengths, launching inclusive-growth initiatives, expanding workforce training and skill development to increase a broad target population's earning potential and net worth, incentivizing and supporting small-business resiliency and growth, and revitalizing and reinventing struggling local industries. To measure progress, the foundation maintains quality of life indicators for data on income, equity, businesses, education, and jobs. This article shares insights into systems philanthropy, the roles played by the foundation and its business and community partners, and how funders can reduce income inequality by investing systemically in inclusive growth.

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73 What Does It Take? Reflections on Foundation Practice in Building Healthy Communities, 2010–2020

Prudence Brown, Ph.D., Tom David, Ph.D., and Anand Sharma, M.P.P.

Foundation practice — how a foundation goes about its work — plays a significant role in determining the results of the work, particularly for foundations that take on roles that position them as part of the action rather than solely as sources of funds. This article aims to build upon the lessons from past place-based work and provide new knowledge by examining the practices of The California Endowment as it designed, implemented, and learned from Building Healthy Communities, a $1.75 billion ten-year initiative to promote health equity. The article suggests strategies that appeared key to effective board governance of BHC over a ten-year period. The article includes reflections about what it takes for a private foundation to succeed in such a complex and long-term enterprise.

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- **Tools.** Papers in this category should describe tools useful for foundation staff or boards. By "tool" we mean a systematic, replicable method intended for a specific purpose. For example, a protocol to assess community readiness and standardized facilitation methods would be considered tools. The actual tool should be included in the article where practical. The paper should describe the rationale for the tool, how it was developed, and available evidence of its usefulness.

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