



# CHAPTER ONE

## FUNDING COLLABORATIONS IN PERSPECTIVE

*This section explains why funding collaborations are a growing philanthropic method, how they are structured, whom they serve, and their usefulness as a tool for family funders.*

### WHY FUNDING COLLABORATIONS?

**T**he problems facing society today are more complicated than any one source or organization can address or solve alone. Just as there are no “one-size-fits-all” solutions in tackling social ills, there is also a need for varied philanthropic structures—particularly those that can help funders convene across traditional boundaries to address complex problems.

The growth of funding collaborations—often called “giving circles”—has been fueled, in part, by the growing trend to view grantmaking as a sort of “philanthropic venture capitalism.” Through this lens, funders are likened to “investors” who contribute more than money to projects, giving their time, energy, and expertise. Many funders have joined collaborations—or philanthropic “mutual funds”—as they recognize the power of pooling financial and intellectual capital and seek hands-on ways to contribute.

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*Collaborations bring the collective energy, experience, and intelligence of a group of people to bear on a problem.*

—Charles Terry  
former president  
*The Philanthropic Collaborative*

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## HOW DO FUNDING COLLABORATIONS WORK?

Funding collaborations differ greatly in scope and focus. While some bring individual donors together with foundations, many involve groups of individual philanthropists or family members. Some bring together funders with a shared background, such as the growing number of Social Ventures Partners networks throughout the country that include individuals from the high-tech field who are new to philanthropy. Others unite funders with shared concerns, such as the Threshold Fund, which solely focuses its funds on progressive causes.

Structurally, funding collaborations are as diverse as the funders who participate in them. However, some general characteristics are evident. Collaborations are generally flexible and short-term and, distinct from foundations, often eliminate traditional grant cycles or employ strategies outside of the basic provision of grant dollars. For instance, a collaboration may take the role of convening nonprofits or offering technical assistance along with grants. Because collaborations are generally not permanent entities, they often focus on time sensitive issues.

Collaboration participants tend to be involved in a hands-on way. Thus, they get closer to the projects and increase their depth of engagement with grantees and the field.

Funders working together have the support of others who share their belief in the worthiness of a cause or project, and thus share the risk of donating their own time, money, and effort. This is particularly helpful for funders new to philanthropy, who may need to “get their feet wet” before providing funding for projects alone or establishing a foundation. For instance, the Young Women’s Giving Circle brings together women under 40 with little experience in philanthropy, providing them with opportunities for grantmaking.

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*Collaborations allow individual donors to take greater philanthropic risks, particularly when they feel less comfortable testing new ideas or trying more experimental forms of grantmaking.*

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Collaborations also give funders the collective clout that individual donors lack. Not only are total dollars increased, but also the collaboration structure gives individual donors “presence” with like-minded foundations and a vehicle for leveraging other funds. And because funders are working together, it alleviates some fears about redundancy, duplication of efforts, and lack of coordination.

Grantmaking is a time and resource intensive undertaking. Pooling resources allows funders to share administrative costs and hire the professional staff needed to undertake vital background research, monitor the field, and help develop a well-planned grantmaking strategy.

### FUNDING COLLABORATIONS AND FAMILIES

In the context of family giving, collaborations have a vital role to play. While many families have established formal foundations or charitable trusts to address issues of shared concern, these structures may not fit all of the philanthropic needs and interests of family members—or the social ills they seek to address.

Collaborations provide a way for family members to become involved in issues that may not fit the current agenda of their family's foundation. They also offer a structure for family members to work on philanthropic projects with others outside the family. Collaborations also provide another method, outside of working on a foundation board, for family members to take leadership roles on issues about which they are passionate.

As a family expands with each generation, philanthropic dollars are often spread among a greater number of family members. Through funding collaborations, families can together have the same or greater impact than that of earlier generations. In addition, collaborations can provide a venue for cross-generation projects, creating an opportunity to educate new generations in the family's traditions of philanthropy.

Collaborations also provide a formal structure for raising funds for projects among family members—always a tricky issue.

While funding collaborations differ greatly in structure and focus, they all reflect the value of working together to help communities solve problems.

