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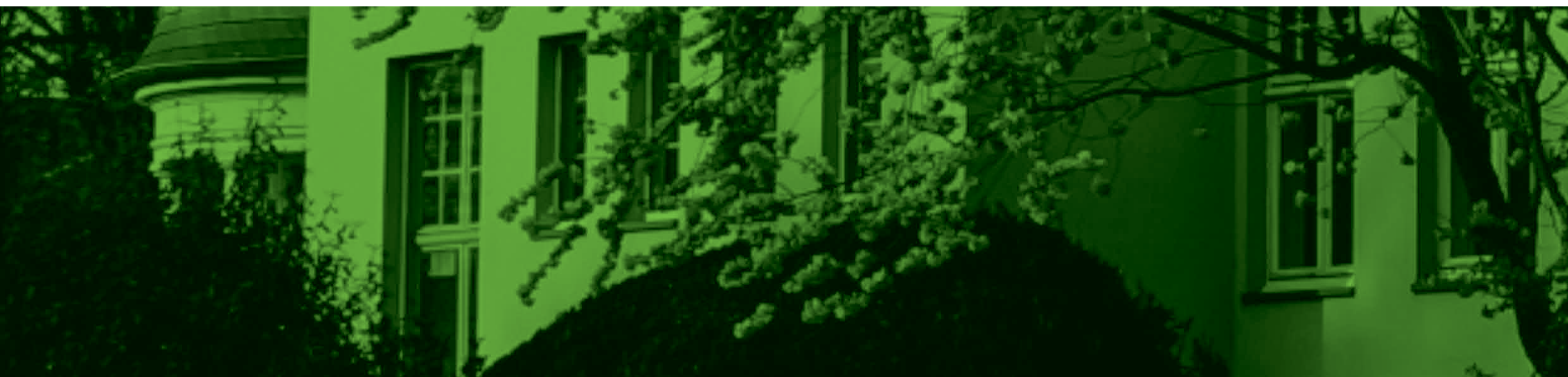
Pascal Goeke & Evelyn Moser

TRANSFORMATIVE FOUNDATIONS: ELEMENTS OF A SOCIOLOGICAL THEORY OF ORGANIZED PHILANTHROPIC GIVING



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CONTENT

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ABSTRACT

Within the last two decades, philanthropic foundations have grown in number and wealth. Moreover, an increasing number of them have adopted transformative agendas. These shifts have been investigated in case studies, supported by consulting literature, praised, and criticized. Organization theory alone has remained surprisingly quiet. Therefore, the paper outlines a sociological organization theory of foundations that is particularly attentive to the contradictions and challenges of transformative philanthropy. By reviewing the literature, illustrating current developments, and combining Mauss' theory of the gift with key concepts from organization theory (mainly resource dependence and legitimacy), foundations will be posited as relatively resource independent organizations that must, for the purpose of goal attainment, organize legitimacy in at least three dimensions: in relation to the initial gift, with regard to their position within democratic societies, and with respect to the societal impact that shall be triggered by means of the gift.

Gemeinnützige Stiftungen sind in den letzten beiden Dekaden nicht allein zahlreicher und wohlhabender, sondern auch ambitionierter geworden. Statt vorentschiedene Gemeinwohlideen lediglich finanzieren zu wollen, treten sie mit transformativen Agenden auf. Diese Verschiebungen wurden in zahlreichen Fallstudien untersucht, von einer Beratungsliteratur unterstützt und erfuhren sowohl Lob als auch Kritik. Die soziologische Organisationstheorie blieb jedoch auffallend still. Um diese Lücke zu schließen, skizziert der Beitrag eine soziologische Organisationstheorie der Stiftung, die besonders auf die Widersprüche und Herausforderungen einer transformativen Philanthropie achtet. Der Entwurf beginnt mit einer Sichtung und Ordnung der Forschungsliteratur und kombiniert anschließend Mauss' Gabentheorie mit Schlüsselkonzepten der Organisationstheorie (hauptsächlich Ressourcenabhängigkeitsansatz und Legitimität). Aus dieser Sicht erscheinen Stiftungen als relativ ressourcenunabhängige Organisationen, die sich zum Zwecke der Zielerreichung in wenigstens drei Dimensionen um Legitimität mühen müssen: In Bezug auf die initiale Stiftungsgabe, in Bezug auf ihre Position in Demokratien und bezüglich der angestrebten Wirkungen, die mit den Gabenprogrammen der Stiftung ausgelöst werden sollen.

1. THE EMERGENCE OF TRANSFORMATIVE PHILANTROPY[1]

After the fall of the Berlin Wall and with growing intensity in the last two decades, privately endowed philanthropic foundations (hereafter referred to as foundations) in the West have grown in numbers and wealth, expanding their engagement for the common good across all spatial levels and towards more complex problems and becoming ever more ambitious. The growth rates in some Western democracies are impressive. In the period between 2001 and 2015, the number of foundations in the U.S. increased by 40% (from 61,810 to 86,203). France and Germany even reported a doubling of the number in that period (France: 1,109 to 2,278; Germany: 10,503 to 21,303). **[2]** Qualitatively and with regard to their changing agendas, it is no longer fair (if it ever was) to deride foundations wholesale for being prone to everything that has big eyes and is suffering. Much rather, foundations currently expand their activities continuously, to some extent on a par with the formative period of U.S.-based foundations at the end of the Gilded Age (Bulmer 1999; Zunz 2012), and with the profound upheavals of the philanthropic field in the German Kaiserreich at the end of the 19th century (Adam 2018). They no longer shy away from challenging and complex tasks, such as climate change (Bundesverband Deutscher Stiftungen 2011). Also, with their concern for the Earth at large, they differ significantly from a linear prolongation of national soft power (Nye 2004) and start to consider what a planetary common good might entail. In sum, an increasing number of foundations continue the more than one hundred year-old history of stripping off the corset of charity. With varying degrees of intensity and with different moral justifications, they no longer dedicate themselves exclusively to the alleviation of societal grievances (charitable or eleemosynary philanthropy). They also do not want to be solely perceived as contributors to a predefined common good any longer (Horvath & Powell 2016). Instead, they want to change societal structures to what they consider betterment. It is no wonder then that they are engaged in discussions about great, grand, global, or societal challenges (e.g., Levich 2015).

Taking these changes from the sphere of organized philanthropy together, we observe the emergence of what we call a *transformative philanthropy*. Transformative philanthropy means that foundations are no longer taking a back seat in public discussions, but are positioning themselves as social innovators who are willing and able to alter societal structures. More technically, transformative philanthropy means designing programs that are not solely focused on discrete *output*, but that should cause or trigger *outcomes* and, even better, lasting *impacts* that exceed by far the (monetary) value of the original input by the foundation. The emergence of this new type of philanthropic giving correlates with at least three interconnected conditions of possibilities:

i. The global mindset of neoliberalism and the concomitant unprecedented global accumulation of wealth by just a few (World Inequality Lab 2017: 196ff.) are crucial prerequisites for, as it is called, the current "golden age of philanthropy" (e.g., Singer 2006; Hay & Muller 2014). In alliance with the partial discreditation of Anglo-Saxon capitalism due to the financial crisis in the years 2007 to 2009, debate has centered around the ongoing interest in what the super-rich do or should do with their fortunes (e. g., Lauterbach et al. 2014; Ströing 2014; Reich 2018; Singer 2006, 2015). Furthermore the evolving discussion within moral philosophy that wealth, as well as poverty, poses a serious moral problem for society (Neuhäuser 2018), has increased public pressure on the wealthy.

[1] Parts of the research that led to this paper were supported by the German Federal Ministry of Education and Research (Project: Benign Autocrats in Democracies. Philanthropic Foundations and their Charitable Ideas and Programs within the Horizon of Participation) and by the Deutsche Forschungsgemeinschaft (Project: Transformative Philanthropy in the Anthropocene. Theoretical and Empirical Investigations). We would like to thank Ramin Bahrami, Galina Selivanova, Melissa Marino, and the Editorial Board of the FIW-Working Paper for their help to improve the quality of the paper.

[2] It must be noted that the underlying definitions of what counts as a foundation vary significantly (see for an extensive comparison between Germany and the USA: Toepler 2016). The tendency, however, remains untouched from these differences. All the numbers are from the national umbrella organizations, i.e., Bundesverband Deutscher Stiftungen, Candid, and Centre Français des Fondations.

ii. The resounding praise and support of civil society that have gained fresh momentum since the fall of the Berlin Wall provide another ideal setting for private engagement for the benefit of the common good. Since a strong civil society is widely considered as crucial for the functioning of liberal democracies (Putnam 1993), foundations are often welcomed in the public sphere where information and points of view about the shape of the society are communicated, discussed, and realized (cf. Habermas 1996: 360).

iii. The general perception that the most pressing societal, great, grand, or global challenges are truly "wicked problems" (Rittel & Webber 1973) that urgently need new cooperative and competitive modes of governance is yet another key prerequisite (cf. Wissenschaftsrat 2015; Burton 2017; Kaldewey 2018).

iv. In relation to these prerequisites, an ever more liberal legislation on foundational issues is taking shape. In many states, formal politics have lowered financial barriers to establish foundations (or closely related organizations) and have accepted new legal forms, such as donor-advised funds, community foundations, limited term trusts, and limited liability corporations (European Foundation Centre 2015).

Certainly, the general idea of transformative philanthropy is not entirely new. Concepts like *venture philanthropy* (Letts et al. 1997), *creative philanthropy* (Anheier & Leat 2006), *strategic philanthropy* (Sandfort 2008), *philanthrocapitalism* (Bishop & Green 2008), *philanthro-policymaking* (Rogers 2011), *effective altruism* (Singer 2015), and *disruptive philanthropy* (Horvath & Powell 2016), to name only the most recent terms, indicate that ideas related to transformative philanthropy have been around for some time. All these concepts perfectly coincide with the self-understanding of many contemporary foundations, which never tire of emphasizing that they are ready to cope with potential obstacles and, as Reemtsma (e.g., Reemtsma 2012) stated somewhat provocatively, even to flout unhesitatingly the majority opinion, since foundations see themselves in a position to take risky or controversial decisions that will find majority support in the future. From a sociological or more specifically from a systems theoretical perspective, these concepts ignore the constitutional aspects of foundations. In particular, they do not consider that foundations are operationally closed and self-referential organizations. Therefore, these accounts are ill-prepared to fully grasp the ambitions, dynamics, and challenges of transformative philanthropy, which is essentially about overpowering and influencing societal environments or, from an organizational point of view, about the difficulties they face in affecting environments to which foundations have no direct ingress on the level of their own operations (Luhmann 2012 [1997]: 49). Simply put, a system-environment approach suggests that transformative philanthropy is a highly unlikely phenomenon that confronts the foundations as organizations with a diverse set of challenges: First, transformative philanthropy increases the number of and need for decisions since foundations must flesh out rather general missions and are more often confronted with strategic problems. Therefore, the rise of transformative philanthropy goes hand in hand with a transition from entities whose key function is the administration of assets to full-fledged organization. Moreover, transformative philanthropy reconfigures the foundations' relations to their environments, most importantly their relation to the state or formal politics, i.e., to the constitutional system of government and publicly defined institutions and procedures. Yet other relations to the environment of foundations also become significant since transformative philanthropy is to some extent about establishing "decided orders" (Ahrne & Brunsson 2011) outside the formal boundaries of foundations. Therefore, the relations between foundations and their environments can be expected to become risky, dramatized, powerful, and fragile in character, and require new forms of explanation and legitimacy.

Although the pertinent literature illuminates many aspects of the related phenomena, a *theory* that would grasp the particularities of foundations as organizations in certain societal environments, let alone an organization theory of transformative philanthropy, is missing. That is precisely where the present paper starts. It helps to enlarge our understanding of transformative philanthropy in general and foundations with transformative agendas in particular by sketching a theoretical framework that combines elements from organization theory, the theory of the gift, and political systems theory, and thus is able to consider foundations within their societal environment. To that end, we proceed in three steps: In Section 2, we systematize the literature on philanthropic foundations that already sheds some light on important facets of foundations as organizations. Section 3 ties insights from organization theory with empirical knowledge about foundations, giving us a specification of the philanthropic foundation as a particular type of political organization that has to make gifts. In closing, Section 4 is devoted to the issue of legitimacy, which is, as we will show, the key challenge of transformative philanthropic foundations. Across all sections, our argument draws both on existing literature on philanthropic foundations and on own qualitative research, which we use to illustrate selected aspects. **[3]**

[3] Our attempt to develop an organization theory of transformative philanthropy rests not only on an extensive literature review but also on extensive field studies (three case studies, ten interviews with different foundations, and analyses of media coverage and laudations).

2. THREE PERSPECTIVES ON FOUNDATIONS AND THEIR INSIGHTS INTO FOUNDATIONS AS ORGANIZATIONS

Although the literature on foundations is widely distributed across all social sciences, it can be sorted along three vantage points: First, a vast number of extensive, empirically rich, and diverse case studies display the variety of foundations from many different perspectives. Second, a body of management literature provides concepts, blueprints, and decision rules for the executives of foundations. Finally, the third type of literature pertains to the contested legitimacy of foundations. Intentionally or not, each perspective highlights decisive features of foundations as organizations without necessarily considering the foundation *in toto* as an organization.

2.1 CASE STUDIES: FOUNDATIONS AS ATTRACTIVE, FLEXIBLE, AND ADAPTIVE SOLITAIRES IN CHANGING ENVIRONMENTS

To start with, the numerous case studies on foundations are telling. They focus: (i) on (individual) donors and their motives (e.g., Odendahl 1990; Ostrower 1995; Fest 1997; Leseberg & Timmer 2015); (ii) on selected foundations and their programs (e.g., Lagemann 1989; Guthman 2008); and, (iii) on certain socio-spatial situations and periods (e.g., Zunz 2012; Adam 2018). Though many of them observe from a definite perspective and argue in theoretical terms, they show little interest in general social and organization theory let alone in the construction of theories. Three abstractions are obvious.

First, the case studies clearly demonstrate that donating or founding as an institutionalized practice, albeit not in the form of foundations in a modern sense, is an old and broadly spread practice. It first occurred roughly 5,000 years ago in Mesopotamia (Borgolte 2015) and can be found in different specifications across the globe. Germany's oldest existing foundation, for example, dates back to the 10th century (Hospital Foundation at Wemding) (for an extensive overview of foundations in medieval societies see Borgolte 2014, 2016). The contemporary form of the modern foundation in the West results from the legal doctrine of the 19th century (Adloff 2004: 272f.). Given such diversity, the core idea of a foundation, dedicating resources to a certain purpose, must be considered as durable, highly attractive, and somehow functional.

Second, the various portrayals of foundations demonstrate the flexibility and adaptability of foundations as such. Against the backdrop of a quadripartite division between *donors*, *members*, *donees*, and *audiences* of a foundation, they illustrate how differently these roles can be linked. To illustrate this issue, donors may, but are not obliged to, take a crucial role within the foundation. The rise of the so-called philanthrocapitalism and millennial philanthropy, for example, has driven young donors particularly to central roles within 'their' foundations. As a consequence, the aristocratic role of a patron is supplemented by the role of a social entrepreneur, to name just one diversification (cf. Mitchell & Sparke 2016). Likewise, foundations design programs with 'secondary achievement roles' that are placed between the foundations professional staff and a passive audience (on the differentiation of social roles in general see Stichweh 2005 [1988]: 35f.). Individuals volunteer for these roles, helping with their resources to pursue the goals of the foundation with which they identify. In return, the individuals might be rewarded ideationally by the foundation for their engagement and, thus, could also be regarded as donees (cf. Bundesverband Deutscher Stiftungen 2015). Moreover, foundations network with think tanks, non-for-profit organizations, state authorities, and others, within which different roles commingle (for the case of school policies in the U.S. see Rogers 2015). Whereas in the past donees often combined the roles of recipients and beneficiaries (e.g., a home for elderly people) with a sympathetic yet undifferentiated audience watching, foundations currently differentiate and recombine these roles.

Third, historical studies reveal that the rise of the modern nation state with its property and tax system gave birth to the foundation as a truly political actor. Unfortunately, the terminology within the literature is inconclusive and quite often detached from a theory of society. In other words, Lagemann's convincing differentiation between Carnegie's scientific, cultural, and strategic philanthropy (1989), other distinctions such as charitable/eleemosynary vs. philanthropic (Zunz 2012), contributive vs. disruptive (Horvath & Powell 2016), and more recent categories like philanthrocapitalism (Bishop & Green 2008), philanthro-policymaking (Rogers 2011), and millennial philanthropy (Mitchell & Sparke 2016) are true and relevant. However, since they occasionally lack theoretical rigor, they are of limited use for understanding the (changing) role of foundations within a steadily evolving society. Putting the disputes about the labels aside, we can ascertain that in the 19th century individual charity was increasingly replaced by organized philanthropy (Gross 2003) – in the U.S. (Zunz 2012), in Germany (Adam 2018), and in other countries. Shortly thereafter, in the first decades of the 20th century, modern philanthropy was decisively formed by the foundations of John D. Rockefeller, Joseph Rowntree, Andrew Carnegie, Russell Sage, and others (Bulmer 1999: 28). At that time, the modern welfare state was in its infancy, and philanthropy often compensated for its unremarked absence. Beyond the many differences of modern welfare states, it now can be said that over time foundations became an integral part of many Western democracies (Reich 2018: 28ff.). Against this backdrop, we suggest considering foundations not only as attractive, flexible, and adaptive, but in their contemporary modern form, also as political. There are three reasons for this: (i) they are tax-exempt institutions, i.e., they are allowed to use financial resources that are usually considered as state money; (ii) they have to devote their resources to the common good, i.e., they are linked with the formula of justification of the modern welfare state; and, (iii) their decisions have a collectively binding (i.e., political) character. In sum, we can say that any theory of a foundation has to account for their attractiveness, flexibility, and adaptability in general and for their modern political character in particular.

2.2 ADVICE LITERATURE: ADDRESSING THE DECISION MAKERS OF FOUNDATIONS

The second type of writing about foundations consists of advice, management, and consulting literature. It considers foundations as organizations and addresses decision-makers explicitly in an often very pragmatic and opportunistic style. Its topics range from legal and general advice for donors (e.g., Göring 2009) to advice for management (e.g., Frumkin 2010; Fleisch 2013; Schwarz et al. 2009) to an ideational backing of philanthropy informed by applied moral philosophy (e.g., Bishop & Green 2008; Singer 2015; MacAskill 2015). Analytically, this body of literature is strongly inspired by the concepts and criteria of business administration, i.e., efficiency and effectivity, and can best be understood as the quest for improving the performance of foundations. Internally, the topics are differentiated along the three lead metaphors of organization studies. Therefore, the literature (i) deals with the *organization as a facade* and the question of how to increase societal legitimacy (e.g., Frumkin 2006); (ii) considers the *organization as a machine or clockwork* and thinks about the design and execution of programs (e. g., Bethmann 2020); and, (iii) acknowledges that *organizations are players* within society that are interested in gaining influence and maximizing societal impact (e. g., Anheier & Leat 2006).

The expansion of advice literature goes hand in hand with the growth of pertinent consulting organizations (e.g., GiveWell, Phineo, Stiftung für Effektiven Altruismus **[4]**) and research centers (e.g., Center for Philanthropy Studies **[5]** at the University of Basel, Switzerland est. 2008; Centre of Social Investment **[6]** at the University of Heidelberg, Germany est. 2006). In essence, the literature both reflects and pushes the transition from an administrative to a more entrepreneurial, ambitious, and transformative style of organizing. In this context, the evaluation literature has particularly experienced a boost since the effects of transformative philanthropy have to be demonstrated and proven. While this type of literature conceptualizes foundations obviously as organizations, it restricts itself primarily to the executive level and does not strive for a general organization theory of the foundation and its embeddedness within society.

[4] www.givewell.org, www.phineo.org, ea-stiftung.org
[5] ceps.unibas.ch
[6] www.csi.uni-heidelberg.de

To conclude, any theory of the foundation is well advised to consider this type of literature as indicative of the practical challenges within foundations and normative changes in relation to the environments of foundations.

2.3 THE CONTESTED LEGITIMACY OF FOUNDATIONS: NORMATIVE DEFENDERS VS. CRITICAL MINDS

The final relevant strand of literature pertains to the societal legitimacy of foundations and includes both scientific research and societal discourses. Within this segment, we can roughly distinguish between *normative defenders*, which appreciates foundations, and *critical minds* which, putting it bluntly, criticizes them. Insofar as they both use a moral framing, they are like hostile brothers from the same tribe.

Normative defenders of foundations attempt to justify the very existence of the institution foundation and, linked therewith, granted autonomy, tax privileges, and, ultimately, its political power. As a result, they set some of the normative standards against which these organizations of the civil society are measured both by themselves and by their audiences. Three normative assumptions receive almost universal approval: In modern democracies, foundations are regarded as legitimate and desirable institutions because they extraordinarily: (i) encourage individuals to dedicate their assets voluntarily for public purposes; (ii) support and increase pluralism within democracies; and, (iii) fuel innovation (e.g., Then et al. 2012; Reich 2013; Anheier & Toepler 1999; for a summary see Adloff 2004). Whether these criteria are met and whether foundations should fulfil even more criteria, such as poverty alleviation, substitutive functions in lieu of government, and redistribution, is a subject of debate (e.g., Anheier & Daly 2006: 197ff.).

Adherents to the *critical minds* school of thought are fundamentally against foundations. For them, foundations are a prime example of an unjust and unfair political economy that allows the accumulation of wealth and power among a very few. Moreover, foundations are criticized for violating the democratic principle of 'one-person-one-vote' since they give wealthy individuals a disproportionately greater opportunity to influence the political course. In this vein, foundations are seen as nothing less than the perverse attempt to disguise an inequitable order by honoring its main actors for their alleged generosity (e.g., Odendahl 1990; Schuler 2010; McGoey 2014, 2015; Mitchell & Sparke 2016). In sum, critical minds try to delegitimize foundations because, from their point of view, they are part of traditional, oppressive, and unjust institutions through which the inheritance of Western civilization has been passed down to us.

Though both normative positions are highly predictable, there are interesting twists in both camps. Whereas critical minds usually appreciate participative initiatives from civil society as a path to real reform, they change their position in relation to foundations. Suddenly, foundations, although clearly a part of the civil society, are considered a structure of domination. Conversely, normative defenders tend to ignore that foundations address problems that are linked to the previous economic success of their founders. Instead of thinking about possible negative external effects, economic success is simply taken as predictor for philanthropic success. Similarly, the commitment of foundations for human rights and democracy is valued as supportable, while the inherent autocratic character of foundations is glossed over. In sum, the debates illustrate that neither the foundation as an "artifact of the state" (Reich 2018) nor concrete foundations with specific programs can be measured against a single normative standard. Therefore, the debates indirectly prove the necessity of understanding foundations as a social structure sui generis with more positive and more negative features than ever before that could be impossibly counterbalanced against each other. Beyond certain moral positions, any theory of the foundation has to consider moral issues and the related question of societal legitimacy.

3. THE PHILANTROPIC FOUNDATION: AN ORGANIZATIONAL STRUCTURE SUI GENERIS

The stroll across the literature has revealed that foundations are much more than just endowments equipped with a legal entity. They have proven to be very flexible, adaptive, and autonomous. Moreover, they have become truly political actors and many of them are now less administrative in character than ever before. Thus, they resemble other organizations and their typical problems of decision-making except for two fundamental and far-reaching differences: Once they are established, they are relatively resource *in*dependent and they have to give their assets away. An organization theory of the foundation that would consider these features has yet to be written. For that purpose, we will proceed with integrating the different aspects and insights with the help of some key tenets of organization theory, political theory, and the theory of the gift. At the end of this section, the theoretical outline of the foundation as an organization will guide us in Section 4 to tackle the issue of transformative philanthropy more profoundly.

3.1 ORGANIZATIONS, FOUNDATIONS, AND DECISIONS

Foundations comply with standard definitions of organizations. Like organizations, they are social systems that emerge out of and consist of recursively related decisions (Luhmann 2000b, 2009 [1978]: 398). Additionally, both are '*social structures created by individuals to support the collaborative pursuit of specified goals*' (Scott 2003: 11) and both are interested in "the art of 'getting things done'" (Simon 1976 [1945]: 1). Moreover, foundations, like organizations, employ forms of internal divisions of labor, power, and responsibilities. Usually, they also have access to the typical elements of organizations such as membership, hierarchy, rules, monitoring, and sanctioning (Ahrne & Brunsson 2011). Finally, it can be assumed that both organizations and foundations are interested in their own continued existence. Despite these similarities, though, general organization theory has remained silent with regard to foundations (see Apelt & Tacke 2012: 7; see also the lack of foundations in Bonazzi 2014; Kühl 2015; Scott 2003). At this point, one might wonder about the exact causes for this silence and one might also immerse in the subtleties of different organization theories, but we want to proceed pragmatically. Therefore, and guided by Luhmann's (2000b) general and integrative theory of organization, we will make use of different insights from various organization theories.

The starting point of our theory building is a difference that is uncoincidentally a pivotal starting point for almost all other organization theories. In comparison to other organizations that are equally interested in their own survival and thus have to cope with uncertainties in potentially hostile environments (cf. Thompson 1967: 13), foundations are much less dependent on resources from their environments. As a matter of fact, foundations finance their current expenses on the basis of their endowments and the revenues the endowments generate, while, in accordance with Pfeffer and Salancik (2003 [1978]), organizations in general must generate resources out of their environments. In other words, once a philanthropic foundation has emerged out of a tripartite decision, i.e., once the assets are ultimately *excavated* out of a given ownership status, *dedicated* to a certain purpose, and *equipped* with a legal entity, it has to be much less concerned about the inflow of resources than any other organization in modern society. Without negating resource dependence theory, we can assert that foundations are relatively resource *in*dependent. This does not preclude that a democratic and capitalistic political economy, which promises steady capital gains, ensures property rights, and grants tax exemptions for being charitable, is presently the condition sine qua non for foundations. Theoretically and practically, though, the immanent endowments of the foundation provide the prime source for the foundation's expenditures. In abstract terms, a foundation consists of the unity of the *endowments of a foundation* (usually in the form of financial means but a compelling idea, a high reputation, or other assets are also valuable) and the *organization of a foundation*, through which the former provides the resources for the latter and whereby the endowments and the organization are coupled by the charter of the foundation. To a large extent, the attractiveness, flexibility, and adaptability of foundations are rooted in this constitution that holds the prospect for autonomy and independence.

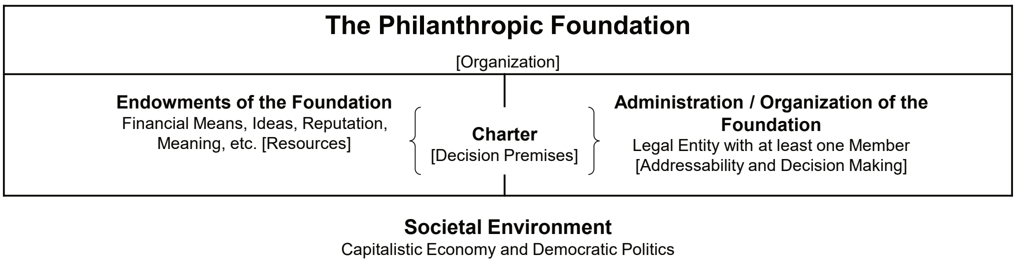

Figure 1: The Elementary Organizational Structure of a Philanthropic Foundation

Figure 1 captures the essential elements of a foundation and re-connects the argumentation to general organization theory, most notably the idea that organizations not only emerge out of decisions, but also consist of decisions. In practice, the initially interlaced decisions about the means (i.e., resources), goals, and formal structures are embodied in the charter of the foundation, which will function as a decision premise for further decisions – by committing itself to a small number of possibilities while many others are suspended (Luhmann 1988b: 166). Depending on the specificity of the initial decisions, the legal entity (needed for the addressability) of the foundation has to either execute the founder's will or interpret the charter, i.e., to decide about ends, means, and programs more specifically. Incidentally, the individual characteristics of the staff and the internal structure of the foundation have to be mentioned as equally important preconditions for the decisions, actions, and talks of the foundation (Kühl 2011: 54ff.).

Although foundations enjoy high degrees of independence, they cannot deny their existence in certain environments, which are both given and enacted. They are given in that there are other systems within these environments from which even foundations are partially dependent, but the environments contain no information. It is the observer who makes a distinction and thus enacts itself and its environments (cf. von Foerster 2003 [1970]: 189). Metaphorically speaking, organizations and foundations "paint their own scenery, observe it through binoculars, and try to find a path through the landscape" (Weick 1979: 136). Thus, organizations and foundations react or adapt to environments that have been enacted by them (Pfeffer & Salancik 2003 [1978]: 72; Weick 1995: 4ff.).

3.2 PURPOSES, FOUNDATIONS, AND THE PUBLIC GOOD

As mentioned above, philanthropic foundations have become political actors. Their manifest function is to serve the public good. In consideration for that service, they enjoy considerable (tax) privileges that vary from country to country (see European Foundation Centre 2015). Critics might object that other functions, such as the implicit legitimation of global capitalism and the chances for exercising power, are more important but, at this point, it suffices to note that both foundations and the law use the same terminology when referring to their activities: charitable, philanthropic, utilité publique, gemeinnützig, etc.

Yet there is more to it than just agreeing about the general purpose. By devoting themselves to the common good, foundations adopt the contingency formula (*Kontingenzformel*) **[7]** ofmodern politics. The reference to the common good, which politics claims to serve and enhance, acts as the ultimate and irrefutable legitimation principle of political power (Luhmann 2012 [1997]: 282, 2000a: 122). At this point, it is important to stress that the self-conception and principles of modern liberal democratic and pluralistic regimes are incompatible with far-reaching substantial definitions of the common good. Apart from some

[7] Following Luhmann, the contingency formulae of function systems "assert system-specific indisputability, for instance, scarcity for the economic system, limitationality for the science system" (2012 [1997]: 282).

fundamental values like human rights or human dignity as commonly accepted premises of political power, liberal democracies follow the procedural determination of the common good (Münkler & Bluhm 2001: 9f.). **[8]** The ways of determining the common good are contested and vary – deliberation, party competition, expert opinions, lobbying work, participation, and ultimately majority decisions are just the most prominent ways. The elementary indeterminacy of the common good in content yields both opportunities and challenges for foundations. Due to the low entry barriers to the discourse on the common good, foundations can easily gain access and position themselves as legitimate players in this realm. At the same time, however, foundations are constantly challenged to formulate visible inputs to this discourse and mark their individual contributions to the common good. The struggle about what the common good actually is and how foundations might enhance it is cumbersome. The definition of charitable purposes by means of non-profit law is decisive for the tax status of foundations, but in no case gives final answers to that question (e.g., Gemeinnützigkeitsrecht in Germany (Kirchhof 2003; Droege 2010) or 501(c) organizations in the USA (Holcombe 2000: 85ff.)).

In practice, the contemporary procedural and pluralistic concept of the common good causes two organizational challenges. First, foundations themselves must fill the "sociologically amorphous" notion of the common good (Weber cited in Sigmund 2008: 83; also Mayntz 2002) with content, and they must operationalize it with programs. The *charter* of the foundation might give some orientation and might also represent a yardstick for judging the respective foundation, but the charter is usually not sufficiently detailed to instruct daily decisions. Therefore, much programmatic work is needed. Second, realizing concepts of the common good requires that foundations, in one way or another, reach out to their environments. For this reason, some have described foundations as "incomplete institutions" (Hammack & Anheier 2013: 9) or are potentially drawn to the concept of "partial organizations" (Ahrne & Brunsson 2011). Systems theory conceptualizes this organizational challenge as a specification of operational closeness: As operatively closed systems foundations cannot operate beyond their own borders by means of their own operations (i.e., decisions), let alone purposefully steer their environments in the sense of reducing differences between observed and desired conditions – other systems are also operationally closed (Luhmann 1988a: 328). Without direct ingress to their environments, foundations have to think twice about their programs and the question of how to ensure and control the desired effects of their activities. Since this is the pivotal question of transformative philanthropy, we will return to these challenges in Section 4.

For the moment and with regard to their political character, however, the foundations' programs can now be classified into three categories that gain their meaning in relation to the political system understood as the system that is about collectively binding decisions. Programs are *substitutive/subsidiary* in that they simply provide (financial) support for commonly accepted or democratically decided goals. Whether these contributions go to charitable programs, research institutions, or cultural establishments does not affect their substitutive/subsidiary character. Programs that actively challenge collectively binding decisions and promote alternatives are *competitive*. They want to demonstrate the contingency of political decisions and highlight alternatives. Programs that provoke decisions and will only become reality if others contribute substantially to the program as decided by the foundation should be labeled *complementary*. Only rarely, programs appear in pure abstraction and none of the possibilities should be valued a priori better or worse. History shows, however, a clear tendency toward the latter type, i.e., towards programs with competitive and complementary elements or, in other words, towards forms of transformative philanthropy.

3.3 MEANS, FOUNDATIONS, AND THE GIFT

Focusing on the foundation's *means* for goal attainment leads to their second decisive organizational feature and will ultimately expose the specific societal function of foundations in modernity. Quite obviously and as legally required, foundations have to give their resources away. They have to make gifts for the benefit of the common good without getting direct returns. This peculiarity matters less in comparison to other organizations (some not-for-profit organizations have to do the same), but in relation to formal politics with which foundations share the same general goal, i.e., fostering or increasing the common good. Yet, whereas for-

[8] In contrast to democracies, authoritarian regimes feature substantive instead of procedural notions of the common good, i.e., the political leadership claims the prerogative of interpreting it and implements its concepts largely irrespective of public consent (Münkler & Bluhm 2001: 9f.).

mal politics both collects and distributes assets based on collectively binding decisions, the foundations' resources are built voluntarily and must be distributed. The formal rules, however, are only half the story. Gifts as a form of communication are tricky and more powerful than gift-related norms like selflessness, charity, and philanthropy might suggest.

It was Mauss (2002) in his seminal study on exchange relationships in premodern societies who revealed some of the gift's most important social subtleties. Within these societies, Mauss argued, gifts are total services that almost automatically involve several societal spheres like, for example, religion, law, politics, economy, and the family. Moreover, a gift comprises the act of *giving*, *receiving*, and *reciprocating*. Therefore, gifts are only rarely pure, but push the donee in the inferior obligation to be grateful and, even worse, eventually to reciprocate. Reciprocity, in turn, can be seen as "a weapon for the enforcement" (Malinowski 1926: 23) of rights and interests.

From the shoulders of these classical insights, we can determine more precisely the function of foundations within society and shed more light on the liaison of donors and donees. With regard to the former, it must be noted that the gift has clearly lost its societal relevance. Nowadays, "convertibility barriers" between function systems (Stichweh 2005: 175) prevent overflows from, for example, economic puissance to political power. Empirically though, gifts for the benefit of society are still made and they are also welcomed, appreciated, and encouraged. Moreover, religious or otherwise justified norms about the desirability of pure gifts are still pertinent. Obviously, the point of contention does not revolve around the gift per se, but around the issue of reciprocity. To make a long story short, philanthropists might vie for attention or negotiate status and prestige by making gifts as Ostrower (1995) has famously shown, but they cannot expect approximately equal gifts from society in return. Against that backdrop, a key societal function of foundations is to enable especially large gifts for society, while regulating the societal return for the gift. In this light, the ideal of a pure gift should not be condemned as mere hypocrisy. Instead, and in combination with the implicit orders of secrecy or elegant reserve on the side of the donors, the ideal helps to appease the darker aspects of the gift, such as overpowering and humiliation (cf. Caillé 2005: 171).

General convertibility barriers, distinct tax policies, and modes of public recognition moderate the power of philanthropic gifts in modern society and, as a result, the liaison between donors and donees. Most crucially, the interposition of the foundation between them matters. On the donor's side, the foundation legally separates personal interests and philanthropic purposes. In this way, foundations transform the interests *of* a donor into interests *for* the public good. On the receiving side, the foundation as a legal person, and not the founder as a natural person, is the donor. That is why a donee should be grateful to some extent but can conceive itself as a medium to enhance the common good. In this position, there is no need to reciprocate the gift. With reference to the official status of foundations, donees can also abstain from insinuating personal, shabby, and counterfactual interests related to the gift. In addition to the function of enabling large gifts, foundations also appease their darker aspects. For both individuals and organizations, it is generally less dubious to accept large gifts from an officially philanthropic foundation than from a private person even though there is, in the end, no such thing as a free gift (McGoey 2015).

INTERIM CONCLUSION: THE FOUNDATION AS ORGANIZATION

At this point, a sketch of the foundation as a particular formal organization becomes possible. The general purpose of present foundations in liberal democracies is to transform private assets into public goods. For that purpose, they enjoy tax privileges. Their general means for goal attainment is the gift. Therefore, a particular function of the foundation as an institution is to offer a possibility for transferring (large) assets, i.e., to offer wealthy people a possibility to get rid of their fortunes, in return for which they gain limited political influence and, very likely, public recognition. In contrast to other formal organizations, foundations are relatively resource independent and, in contrast to formal politics with which they compete among others about the structuring of the common good, foundations have to make gifts. Nowadays, the political institution foundation is widely accepted. As foundations at large, however, have become ever more ambitious, the traditional character of executing the stated will of its founder(s) vanishes and the need for and number of strategic decisions increases. At this point, it becomes important to dynamize the static sketch and focus on the question of how foundations attempt to establish orders outside their own boundaries, i.e., to have a closer look at the practices of transformative philanthropy.

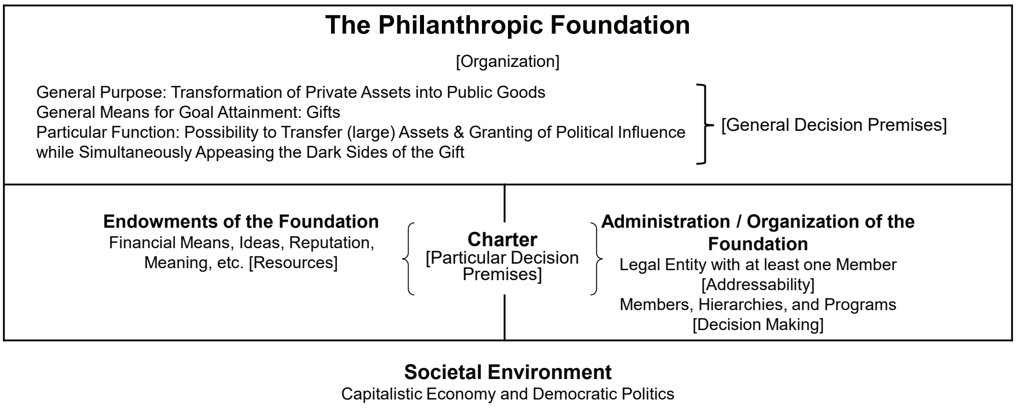

Figure 2: The Philanthropic Foundation as Organization within Society

4. LEGITIMACY: THE PARTICULAR CHALLENGE OF TRANSFORMATIVE PHILANTROPY

Transformative philanthropy, as defined above, is about triggering or boosting structural changes that go far beyond the value and scope of the foundation's initial gift. It will only succeed if other players make significant contributions by themselves, follow the new rules, changes themselves, adopt the ideas, mobilize resources of all kind, etc. For that reason, legitimacy, comprehensively defined as "*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*" (Suchman 1995: 574) is urgently needed. The philanthropic quest for legitimacy is not entirely new as the founding process of the Rockefeller Foundation shows. Yet, whereas at the beginning of organized philanthropy foundations needed legitimacy to come into existence, transformative philanthropy has to generate legitimacy as a means for goal attainment. Legitimacy, however, is always a "conferred status," which is "controlled by those outside the organization" and "known more readily when it is absent than when it is present" (Pfeffer & Salancik 2003 [1978]: 194), i.e., when the foundation in total or certain activities and goals are no longer taken for granted (Meyer & Scott 1983: 201). Therefore, the pressure on the right organizational decisions, discussions, and actions increases tremendously. Against this backdrop and with empirical observations in mind, we suggest differentiating three general strategies that foundations use to generate and maintain legitimacy:

i. justifying the donor's gift for public purposes through *tales of crossing*;
ii. *constructing standpoints* in relation to politics and society at large from which the foundations' actions appear desirable; and,
iii. providing *evidence of success* to demonstrate the outstanding effectiveness of foundations.

4.1 TALES OF CROSSING

First, legitimacy is needed with regard to the provenance of the endowments with regard to the act of giving private assets away and with regard to possibly hidden motives of the donors. Therefore, and notwithstanding the fact that the legal transfer of property rights is sufficiently clearly defined, donors, foundations, their cleaner fish, and some others who hope for good cooperation are involved in the construction of positive narratives that escort the legal endowment. These narratives are, as Dalzell worded perfectly, “ours [the demos] as well as theirs [the wealthy], and what they express on both sides appears to be a serious, indeed a heartfelt, desire to forge an accommodation between wealth and democracy, to blend the two in a way that not only affirms our democratic faith but also accepts a corresponding affirmation from the rich“ (2013: 8). We suggest calling these narratives *tales of crossing.* They are *tales* because they are about subjective experiences and, therefore, usually incomplete. They rarely pick up criticism. They do not enter a discussion with critical minds who argue, for example, that the “current practice of state-supported philanthropy, especially in the United States, is indefensible“ (Reich 2018: 134). Much rather, these tales are invitations “to complete the stories they tell: to add the essential dénouement ourselves, by choosing to forget just how angry such individuals can make us, which by and large we have done, in spite of our democratic ideals“ (Dalzell 2013: 8). Furthermore, they are tales *of crossing* since they deal unavoidably with the distinction between private and public use.

Before going into detail, it must be noted that the general distinction between private and public is paradoxical and contentious since it must be discussed publicly what is private and what is public whereby the value privacy is often privileged and preferred. That is not the sole problem. In many, if not in all cases it is almost impossible clearly to attribute values. That is why the private share of private accumulation, to illustrate just one matter in dispute, is fiercely debated. The Nobel laureate Herbert A. Simon even argued that a flat income tax of about 90 percent would be morally justified since the majority of private wealth is based on social capital. **[9]** Such radical thoughts undermine well-known associations of giving with noble values of the civil society such as “empathy, tolerance, appreciation of the other, and engagement with social issues” (Witkowski & Bauerkämper 2016: 3) – one cannot give something away that one does not own. Conversely, contributions to charity are at least partly also private consumption since the donors receive public recognition (Karlan & McConnell 2014: 402f.). Furthermore, for some of the wealthy, complete private consumption is, given their enormous assets, nearly impossible in a practical sense. In sum, the tales of crossing should be seen as part and parcel of the open and ongoing debates around the distinction between private and public.

Abstracting in more detail from the *literature about founders* (e.g., Leseberg & Timmer 2015; Fest 1997), the *self-descriptions of founders* (e.g., Giving Pledge Letters, Montag 2001), and the blend and variation of these two strands in *laudations* (e.g., German Prize for the Founder or Foundation of the year), we suggest differentiating at least three types of tales. The first two of them, i.e., the *explication of motives* and the *presentation of critical biographical experiences*, are tales of crossing insofar they accept the current distinction between private and public interests. The third type of tale, however, tries to *dissolve the apparent incompatibility of selfish motives and philanthropic behavior* and presents a mode of conciliation. Though these types suggested vary in space and time, and a more detailed analysis might yield finer sub-categories, they reasonably capture the whole spectrum of dealing with the distinction of private and public and, therefore, with the occasionally dubious status of the gift and related interests as we will show in detail.

Tales of crossing of the first type designate, illustrate, and explicate the donors’ *motives*. They contain elements such as the wish to share one’s own luck and success with others; the desire to give something back to society; the attempt to remove social obstacles by which the donor was formerly affected; and, the general intention to change the world for the better. Some motives are also related to a particular social group (national, religious, ethnic, etc.), that is, according to the statement, by its tradition inclined to altruism, charity, and foundations. Obviously, the list is not exhaustive. Equally significant is the presentational mode of the motives. Donors tend to stress their intrinsic motivation and present their philanthropic engagement as something that they are doing primarily for its own sake. Correspondingly, a (biased) survey on behalf of the federal association of German foundations argues that selfish

[9] http://bostonreview.net/forum/basic-income-all/herbert-simon-ubi-and-flat-tax (last accessed 3rd September 2020)

motives do play a minor role or occur only in close relation to the good deed, like, for example, having pleasure in doing a good deed (Leseberg & Timmer 2015: 8, 49). In contrast to positive motives, some donors are motivated by the wish to avoid a certain development. Most importantly, they fear that large inheritances might spoil the character of the heirs and, following Carnegie's Gospel of Wealth, that "leaving wealth at death for public uses" is equivalent to the "disposal of wealth" (Carnegie 1889: 659). The Giving Pledge Letter by Gerry and Marguerite Lenfest is a vivid example for describing philanthropic engagement primarily via motives:

> "Dear Melinda, I have been asked why Marguerite and I made the Giving Pledge. The first and compelling is the joy we experience in giving to worthwhile causes. [...] The second reason is that we do not want to give excessive wealth to our progeny. [...] Perhaps a third reason is that one is not measured by how many homes, yachts or airplanes you have. The ultimate achievement in life is how you feel about yourself. And giving your wealth away to have an impact for good does help with that feeling." **[10]**

The second type of tale presents personal experiences and biographical breaks as reasons that have influenced the decision to engage in philanthropy. Donors report, for instance, poverty in their childhood, their experiences as immigrants, and the misfortune they had in their lives. Obviously, such rather external conditions should increase the credibility of the donors – they know from own experience what they are discussing. Besides, the donation is presented as obligatory instead of being supererogatory. Quite often, the donors inform the invisible audience about memorable moments or experiences of enlightenment. Bill and Melinda Gates, for example, write in their Giving Pledge Letter:

> "Years ago, when we began to learn about global health, we were especially shocked to read that one highly preventable disease – rotavirus – was killing half a million children every year. Airplane crashes are always front-page news, yet here was a killer of half a million children every year, and most people couldn't put a name to it, much less put a stop to it." **[11]**

Thirdly, some tales *dissolve or ignore the assumed incompatibility of selfish motives and philanthropic behavior* and thus try to neutralize objections against wealthy donors. This line of reasoning dates at least back to the tradition of Mandeville's fable of the bees, which considers private vices as the true source of the common good. Today, this line of reasoning is underpinned by the management mantras of philanthrocapitalism (Bishop & Green 2008) and by the moral philosophy of effective altruism (Singer 2015; MacAskill 2015). The German cigar-manufacturing heir Reemtsma even argues that states and the demos should follow founders blindly (Reemtsma 2012; see also Kirchhof 2003: 4). As people of independent means (an idea borrowed from Hayek's remarks about 'man of independent means' (Hayek 1978: 125)), wealthy donors are necessary, since they, ideally at least, address worthwhile causes and support new solutions long before they get democratic majorities. The arbitrariness of founders is not seen as a negative side effect of tax-exempt benevolence, but as the essence of giving that should be welcomed by any citizen (Reemtsma 2012). In all these reasonings personal interests and economic profit-seeking are valued as necessary conditions and guarantors for successful philanthropy. Ultimately, only the effects count: "Never mind the motives; the important thing is to ensure that this largesse is put to good use" (Bishop 2006). Furthermore, the Giving Pledger Sylvan Adams considers competition as a good way to organize philanthropy:

> "Through the example and leadership of Bill and Melinda Gates and Warren Buffet, the Giving Pledge is inspiring successful men and women to engage in what I would call 'competitive' philanthropy. Directing the same competitive instincts that these driven people employed to achieve the pinnacle of financial and social success, the Giving Pledge is encouraging us to outdo one another in giving our wealth away. Brilliant!" **[12]**

Certainly, none of the tales is entirely new, nobody has to believe them, and there is no way to prove them. Likewise, little is known about the degree of legitimacy they generate. However, with regard to the emergence of transformative philanthropy, they have gained societal momentum. The Giving Pledge Initiative is a prime example for that shift since it exhibits almost exclusively tales of crossing.

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[10] https://givingpledge.org/Pledger.aspx?id=229 (last accessed 3rd September 2020)

[11] https://givingpledge.org/Pledger.aspx?id=199 (last accessed 3rd September 2020)

[12] https://givingpledge.org/Pledger.aspx?id=158 (last accessed 3rd September 2020)

4.2 CONSTRUCTION OF A STANDPOINT TOWARDS POLITICS

Donors and more importantly foundations also try to generate legitimacy by constructing a prominent position within society. As a result, transformative foundations in particular tend to overemphasize some undisputed particularities of foundations, as if their societal position alone would guarantee better results. Three dimensions in relation to politics in general and formal politics in particular are noteworthy in order to understand their positioning. Along the first dimension, foundations simultaneously associate and dissociate themselves to the system of politics on a semantical level. The second dimension consists of an intriguing two-level play with the principles of democratic inclusion. Additionally, since transformative philanthropy will not succeed without formal politics, the third dimension deals very concretely with certain modes of cooperation. In the end, all dimensions are about convincing potential supporters, followers, and imitators of the superiority or necessity of transformative visions while glossing over some severe democratic deficits of (transformative) philanthropy.

4.2.1 (DIS)ASSOCIATION WITH FORMAL POLITICS

Foundations are, as argued above, political actors. Therefore, an unmitigated criticism of politics in general and formal politics in particular is unlikely since foundations want to contribute to the political system in general and because formal politics guarantees and supports the possibilities of their existence. At the same time, however, foundations want to be perceived as non-redundant or, even better, outstanding political entities. In this delicate situation, foundations tend to overemphasize the shortcomings of formal politics and democratic decision-making on the one hand, and to endorse selected basic principles of democracy enthusiastically on the other. Both lines of reasoning help to legitimate their contentious power and influence.
More concretely, foundations regularly express fierce skepticism about the limitations of everyday formal politics. They point to democratic elements and phenomena such as election terms, chances for reelection, societal and parliamentary majorities, representational obligations, financial feasibilities of policy interventions, and limited capacities of the public administration as key reasons for poor outcomes, shortsightedness, and loss of contact with reality. In sum, formal politics is no longer able to identify and appropriately address upcoming societal problems, if it ever was. Foundations, by contrast, are, as they say themselves, free of the structural and procedural constraints of formal politics. Therefore, they claim to be better suited to formulate and implement progressive agendas that would be both unattainable and unfeasible for democratically elected decision-makers and state bureaucracies (e.g., Bach 2002: 25; Göring 2007: 15). More precisely, they perceive themselves as being free to call on purely factual – or supposedly “objective” – aspects like expertise, scientific knowledge, and moral criteria when deciding on the shape and the implementation of their programs and activities (e.g., the explicit sympathy for China’s political system expressed in Berggruen & Gardels 2012; Fest 1997: 19f). At its core, the criticism carries Carnegie’s legendary skepticism vis-à-vis the state forward (1889) as one example of the self-portrayal of the Federal Association of German Foundations shows:

> “Under the condition of global environmental change, it would be the task of the political system to develop a sustainable social model that is suitable for the 21st century. […] The experiences of the last decades, however, give little cause for hope. The political system and society are so fixed to the present, that they run the risk to forget about the future. […] Foundations pursue progressive approaches, accelerate […] developments and draft future scenarios.” (Bundesverband Deutscher Stiftungen 2011: 9-10)

Part of the literature on foundations advances and reflects these positions. Foundations, so the scientific narrative reads, “have enormous potential to add to the problem-solving capacity of modern democratic societies. […] At their best, foundations are innovative, risk-taking funders of causes that others either neglect or are unable to address” (Anheier & Leat 2006: 3). The truth behind these claims is hard to check, but the paradox is obvious. Foundations criticize precisely those pluralist and democratic structures that form the context in which they flourish and on which they rely in order to pursue their goals smoothly and securely. Moreover, they claim degrees of knowledge, competences, and experiences that they deny many other institutions (the main exception are for-profit companies). In sum, their responsiveness to societal problems shall justify their superior position vis-à-vis formal politics. To put it provocatively, foundations situate themselves as small autocrats within democratic regimes.

4.2.2 VIRTUOUS CITIZENS AND MODERATED PARTICIPATION

Not surprisingly, philanthropists are much praised for their engagement and foundations are habitually cherished for their output, outcomes, or even impact. The obvious reason for this lies in the somehow presumed voluntariness and selflessness – never look a gift horse in the mouth. Perhaps behind this official praise stands the hope to benefit someday as well from their generosity. Yet, whereas the gifts and deeds are usually appreciated, the democratic quality of the input is often criticized. The normative grounds for this asymmetric judgement lie to some extent in the ideal image of liberal democracies that guarantees universal suffrage and considers elections as judgements about the quality of the political output. Against that backdrop, the societal influence of foundations, no matter how good it might be, clearly violates the normative principle of liberal democratic inclusion “one person, one vote”. Empirically, foundations try to counter the criticism about input deficiencies by playing a two-level game: *externally* they strengthen the republican idea of democratic inclusion and *internally* they set up programs with substantial participatory elements.

To start with, the external level, i.e., with the entire field of political engagement, the prevailing self-conceptions of foundations and their concrete programs refer more or less explicitly to the republican idea of democratic inclusion. In this context, the active and virtuous citizen takes a key role in shaping the political cohabitation. The citizen, according to the assumption, has a clear understanding of the common good and is willing to subordinate their private interests to the benefit of the collective. Within this position, the common good emerges out of the many decisions of the equal and free citizens. Accordingly, the legitimacy of political decisions does not depend primarily on market-like voting procedures, but is based on public discourse and the persuasiveness of (better) arguments. Due to their unique access to financial, cognitive, and social resources as well as their detachment from the struggles of everyday politics, foundations claim a strong voice in this discourse. They place themselves in suitable traditions, for example, the tradition of German’s free cities with a strong municipal citizenry (Göring 2007), and they consider themselves in a position either to take optimal decisions for the collective or to induce such decisions, e.g., through governance networks (Grzesiok et al. 2014; Montag Stiftung Urbane Räume 2013), within strategic alliances (McCoy et al. 2009), and occasionally even by collaborating with grassroot initiatives (Guthman 2008).

Internally, though, foundations try to mitigate the input flaws by running or supporting programs with substantial participatory elements (Hummel 2017). They invite individuals, groups, and collectives like cities to participate and embark on transformation programs (e.g., the “100 resilient cities” program of the Rockefeller Foundation or the “StadtteilBotschafter” program of the Stiftung Polytechnische Gesellschaft based in Frankfurt/Main, Germany) and they integrate volunteers in their projects (Bundesverband Deutscher Stiftungen 2015). Furthermore, they give voice to marginalized groups and initiate deliberation processes among actors who would probably not have come together without the foundation’s mediation.

Quite naturally, the specific forms of this two-level game depend on the particular contexts in which the foundation in question is operating. On both levels, however, it must be kept concealed that raising the voice of republican citizen and the partial inclusion of the populace are both highly selective and strongly moderated forms of inclusion. Empirical assessments about the factual quality of the inclusion have yet to be written.

4.2.3 MAKING USE OF FORMAL POLITICS

While pursuing their (ambitious) goals, transformative foundations are confronted with the undeniable fact that there is no direct ingress to the environments they seek to transform. Foundations, like any other organization or system, cannot operate outside themselves (Luhmann 2012 [1997]: 49). Foundations have therefore no other choice than to rely on their gifts and to hope that they entice others to head in the desired direction. Therefore, and just like any other organization, they have to respecify their means and goals in programs that instruct further actions.

As introduced in Section 3.2, these programs can best be classified as *substitutive/subsidiary*, *competitive*, and *complementary*; as a result, this classification is logically related to the political system that is, ultimately at least, about collectively binding decisions. A one-to-one assignment of these types to certain historical phases of organized philanthropy is neither possible nor meaningful, but transformative philanthropy is clearly biased to *competitive* and, even more importantly *complementary* programs. In detail, this means that *competitive programs* actively challenge collectively binding decisions and promote alternatives. In this vein, foundations seek to demonstrate that things can be organized more effectively and efficiently. They explicitly aim to show that it is possible to perform better than formal politics, state authorities, and, to a lesser extent, non-governmental organizations currently do. Concrete examples of competitive activities are best practice-projects. They put formal politics under pressure to take them over or to justify themselves. The joint initiative of ten large foundations to help the city of Flint, Michigan, to recover from the water crisis in 2016 through infrastructure measures is just one example of a competitive program. **[13]**

Complementary programs go beyond the questioning of decisions. They attempt to provoke decisions about substantial contributions. Similar to the logic of complementary goods, for which the utility of one good is inextricably coupled to the availability and utility of another good (e.g., a printer and ink cartridges), the success of a complementary program – and thus its legitimacy – heavily depends on its capability to effectively bind (or one may even say to extort) others. In contrast to competitive projects, a possible success does not arise from developing and presenting alternative solutions, but from a much more direct and active form of connecting to and being involved in formal politics and its decision-making structures. The program '100 Resilient Cities' by the Rockefeller Foundation is a striking example. Local authorities received grants by the foundation for installing the position of a chief resilience officer within their public administration and had access to "critical tools, services, and technical assistance from organizations like Swiss Re, Microsoft, the World Bank, and the International Rescue Committee." **[14]**

The general analytical distinction between *substitutive/subsidiary*, *competitive*, and *complementary* programs claims to cover the whole range of programs in their political decision-making dimension. In practice, however, more applied distinctions are possible. With regard to the discussion about partial organizations and "decided orders" outside formal organizations, distinctions about the available elements such as membership, hierarchy, rules, monitoring, and sanctioning seem advisable (Ahrne & Brunsson 2011; for justified objections see Apelt et al. 2017). In truth, foundations beckon with grants (membership), arrange competitions (hierarchy), issue environmental labels (rules), and publish rankings (monitoring). Solely sanctioning is not a central feature of their activities. It might occur as a side aspect in their programs, but, within the sphere of the civil society, action that is not voluntary is usually deemed to be worthless, as Alexander argued (2006: 61). Quite obviously, further research and theory formation is needed to offer robust and viable terms for capturing the relation of foundations and their environments. Possible candidates are "boundary objects" (Star & Griesamer 1989) around which foundations build their programs, "psychological contracts" (Rousseau & Tijoriwala 1998: 679) through which they bind individuals, and forms of "behavioural commitment" (Weick 2001: 7) through which they push other individuals or organizations towards their goals.

[13] www.fordfoundation.org/the-latest/news/ten-philanthropies-will-help-flint-recover-and-rise-from-water-crisis (last accessed 3rd September 2020)

[14] www.rockefellerfoundation.org/about-us/news-media/100-resilient-cities-rockefeller-foundation-announce-37-new-member-cities-reaching-100-city-milestone-global-network (last accessed 3rd September 2020)

4.3 EVIDENCE OF SUCCESS

Finally, legitimacy is needed with regard to the intended outcomes and impacts per se as well as with regard to the ways of getting there. Therefore, transformative philanthropy has to provide *evidence of success* with regard to the results and its methods so that others might follow and act accordingly. The proof of success, however, is a challenge in itself since transformative philanthropy is not by definition about simple input-output-relations, but more about complex processes of triggering social change. Besides, otherwise widely accepted criteria for success, such as sales figures, number of votes, number of baptized, cure rates, etc. are of little help in the world of philanthropy. Transformative philanthropy has, therefore, no other choice than to argue and prove plausibly that their gifts caused, boosted, and triggered certain outcomes and impacts without leaving the impression that the transformation was bought or that people were, in one way or another, forced to do certain things.

Consequently, and quite similarly to formal politics, foundations *ascribe* the desired changes in their environments to their decisions by constructing causalities, i.e., by coupling (past) causes and (current or future) effects as unequivocally and visibly as possible (on causality constructions in the political system see Luhmann 2000a: 23f; Kusche 2008). Practically, a whole range of techniques for providing evidence of success is portrayed and discussed within the philanthropic field itself. As a result, foundations present their activities and alleged effects extensively in brochures, books, videos, and, of course, online. Quite often, they do this with the help and authority of scientific evaluations and backed by the analyses of specialized think tanks or consultants. The rise of specialized institutes, which work like cleaner fish, are the epitome of this development. With refined evaluation technique, foundations shine in new brightness (cf. Prewitt 2006b: 374; Quinn et al. 2014).

The German Stiftung Polytechnische Gesellschaft is a good example for illustrating some of the managing efforts in demonstrating success. For although the foundation was only established in 2005, the society that provided the endowment of nearly €400 million dates back to 1816, when citizens of the then independent city state gathered in the spirit of the Enlightenment to support progress in technical, economic, social, and cultural fields. These purposes led, inter alia, to the inception of a public savings bank that, when sold in 2005, provided the financial base for the foundation. A closer look at the eleven progress reports and two jubilee publications compiled since 2008 is telling. **[15]** The first report is cautious in relation to effects, but sets the tone: “Impetus for the Modern Civil Town” (2008). A year later, the foundation stresses that it is already working toward a better city: “Workbench within the City Society” (2009). The third report – “Establishing Access” (2010) – revolves around “deepening, linking, and using” relations between the foundation and the municipal society for ensuring sustainable effects. Also in 2010, the first jubilee publication gives a summary of what effectively happened so far – its title: “Report of Effects”. By titling the report in 2011 “Building Bridges”, the foundation sought to stress its importance within the city. With “Close Together” (2012), it emphasized its strong involvement in the urban civil society. The report in 2013 – “From the Project to the Program” – fit into the general line of ascribing positive effects to the foundation. *Project*, in this report, refers to a good idea that then has to be realized and ensured in *programs* that are almost synonymous with generating effects. By titling the report in 2014 “Multi-Layered”, the foundation indicated its crucial role within the complex structure of the city. In 2015, the second jubilee publication appeared with the title “Imprints”. It is about “the work and effects” of the “young foundation” in Frankfurt. The 2015 report is titled “Cooperative”. On more than 80 pages solely about their cooperation, the foundation provided vivid evidence of its indispensability with respect to projects about “education and responsibility” within the city. Seen from a different angle the reports reflect the general shift from a rather subsidiary position towards a complementary player of the urban society. No wonder then, that after this condensed transition the reports start to variegate the topics. 2016: “Finding and Supporting Talents”; 2017: “Diversity and Cohesion; and 2018: “Doing what is missing and what is good”. Regardless of some linguistic fashions, the intention remains constant. Here we are, says the Foundation, an actor of the civil society that works together with the citizenry for a brighter future. Watch us and you might learn something.

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[15] All progress reports and jubilee publications are available here: www.sptg.de/mediathek/veroeffentlichungen/taetigkeitsbericht (last accessed 3rd September 2020)

Not accidentally, the ostentatious display of success effectively conceals failure and the non-occurrence of the self-proclaimed effects. In extreme cases, failures or mistakes are completely denied in connection with foundations. At first glance, this does not appear particularly noteworthy; organizations in general hesitate to admit faults and, thus, might miss out on the opportunity to learn and adapt. However, there is a less obvious issue. Given that a foundation is "a completely irresponsible institution, answerable to nobody" (Posner 2006; see also Prewitt 2006a), any comparisons with other more dependent organizations become unfair or difficult at least. Take, for example, the following characterization: "creative foundations do not have 'failures'. Things that go wrong or do not work out are seen not as failures but as valuable learning opportunities" (Anheier & Leat 2006: 213; see also Fleishman 2009: 25 ff.). This is true indeed, but governments and public administrations can hardly adopt this posture. They will be held responsible for the production of 'valuable learning opportunities'.
In conclusion, we can once more observe a tricky balancing act. On the one hand, foundations have no such thing as customers, voters, shareholders, etc. that could force them to show their true colors by confronting them with criteria like efficiency, share of votes, and the like. On the other hand, and notwithstanding their autonomy, new forms of transformative philanthropy particularly cannot escape the daunting task of managing legitimacy for their ends and means of achieving them. If they want to ensure public support, they must dispel any doubts regarding their competency and must plausibly prove their capacity to act towards their goals. Experiencing the non-occurrence of effects of their gifts would inevitably jeopardize their existence as problem solvers.

5. CONCLUSION

The organizational approach to foundations presented in this paper started with the obvious, i.e., with the empirical and formal aspects of foundations as they are described in the literature, granted by the law, desired by formal politics, morally appreciated by the majority, and backed by the self-descriptions of foundations. In that regard, the paper did not present any novelties. The benefit of our approach is, hopefully at least, of a different quality. By outlining the organizational properties of foundations, we may be able to understand better why foundations in general and foundations with a transformative agenda in particular decide, talktalk, and act the way they do. It is the extraordinary freedom, made possible by their relative resource independency and legally granted autonomy, that makes them unique. Autonomy and independence mean also that foundations are to some extent free to choose their position within society. Most recently, they have adopted transformative agendas. That is why the issue of legitimacy and the challenge to generate and maintain legitimacy has gained momentum. Without convincing, influencing, and overpowering others they are doomed to fail. As Figure 3 shows and as outlined in Section 4, legitimacy has become important in at least three dimensions: (i) the provenance of the private gift for public purposes; (ii) the position within society and societal norms; and, (iii) with regard to the output, outcomes, and impact of philanthropic action.

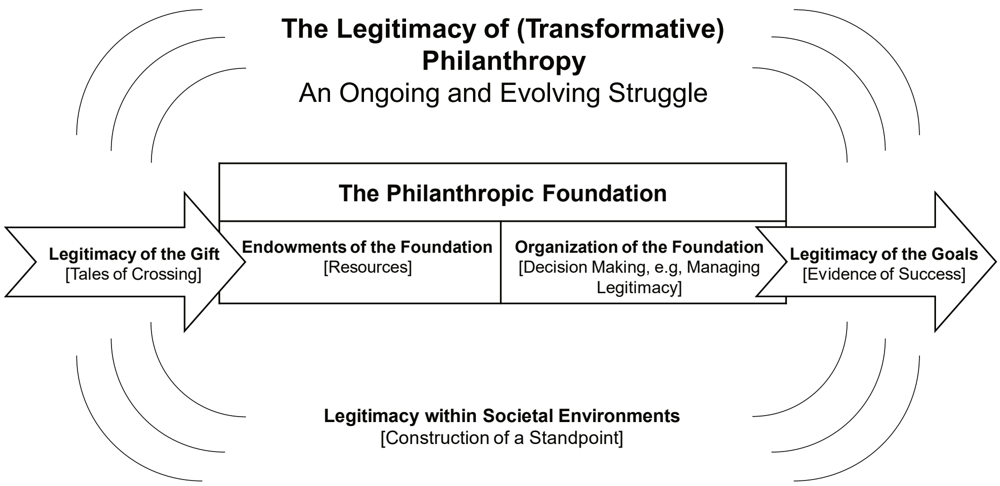

Figure 3: Dimensions of Legitimacy Management

Seen from a distance, the emergence and performance of transformative philanthropy resembles Weick's depiction of an unconventional soccer match that pictures unconventional, dynamic, and transformative organizational behavior. The field for this match is round, sloppy, and with several goals. "People can enter and leave the game whenever they want to; they can throw balls in whenever they want; they can say 'that's my goal' whenever they want to, as many times as they want to, and for as many goals as they want to [...] and the game is played as if it makes sense" (Weick 1976: 1). Transferred to discussions about the common good, we can argue that many players and foundations in particular constantly put new goals on that field and try to introduce new rules for all players by making new moves that can be described as substitutive, competitive, and complementary. To convince the audience of their capabilities in the game, foundations have started to sponsor a number of specialized research institutions, which, under the guise of scientific expertise, help to provide evidence of who scored. Far-fetched? Rather not. It comes very close to a description of the Bill and Melinda Gates Foundation and its handling of dissent: "While other philanthropies are trying to help get the ball across the goal line on issues they care about, [...] Gates is 'creating the ball, building the team, hiring the referees,' and 'funding the instant replay'" (Ogden/Freschi quoted in Preston 2011). To reveal and designate the fundamental organizational properties of foundations in general and transformative philanthropy in particular was the aim of the paper. By way of theory formation, the possibilities and limitations of foundations should become obvious and comprehensible. The terms and theorems developed in this paper claim to capture the contours of organized (transformative) philanthropy without negating that further independent research and theory refinement is urgently needed.

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