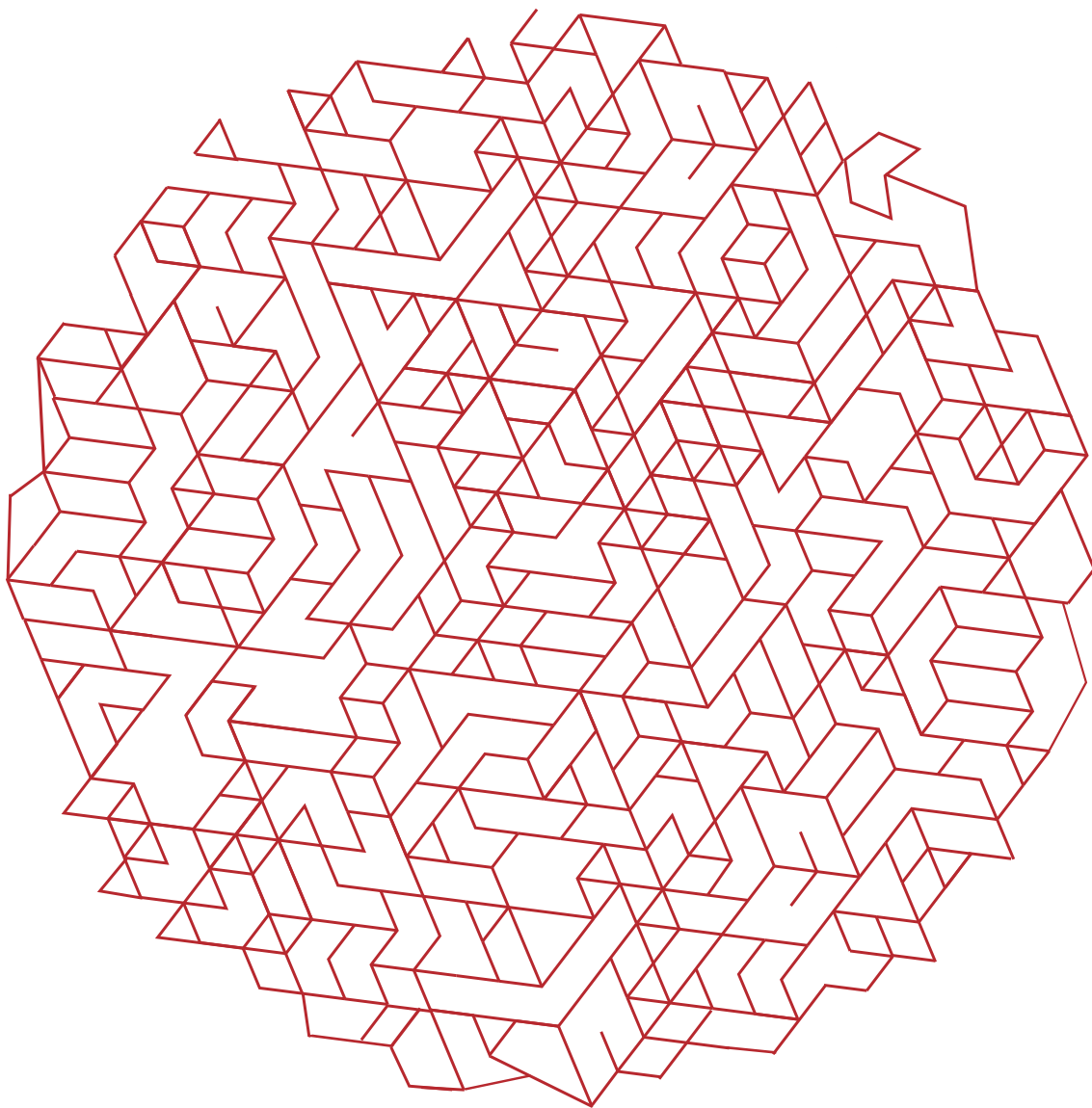


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Addressing Grand Challenges Collectively: An introduction to impact-oriented networks

Working Paper



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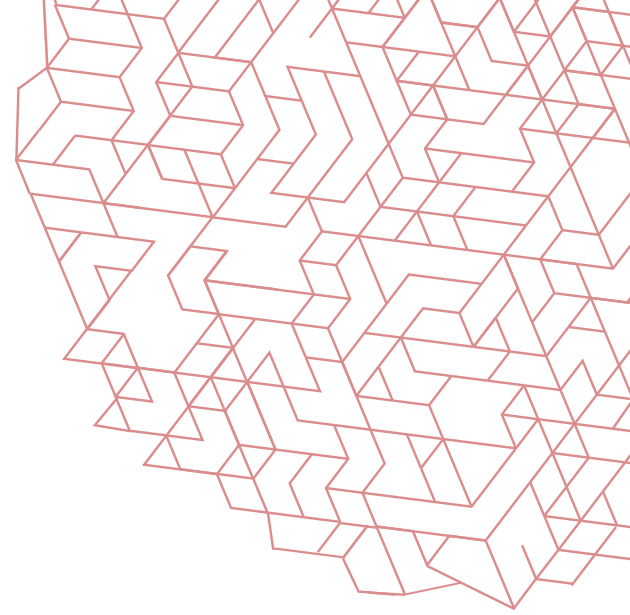
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Executive Summary

Against the background of the growing popularity of network thinking, this working paper provides an introduction to networks in the field of social impact and philanthropy and explores the new genus of networks that we call “impact-oriented networks.” It explores and structures the scientific literature and discourse and provides an overview of basic concepts as well as the value for creating social impact.

Based on an **extensive literature review of 80+ sources**, ranging from peer-reviewed journal articles to bestselling books and from practitioner reports to theoretical treatises, and our own reflections, we provide several key insights:

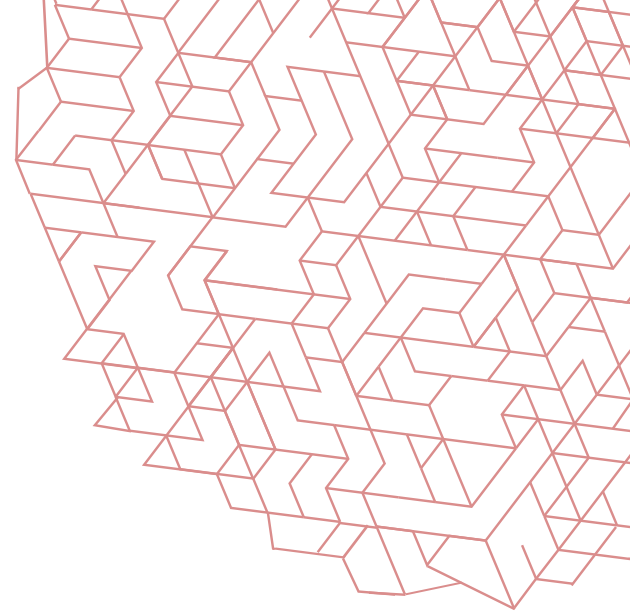
- Networks in the field of social impact are enjoying increasing popularity, both in theory and in practice. They are often understood as a tool for **addressing complex global problems**, such as poverty and the climate crisis, in a collective and more effective manner.
- Previous research has identified a large number of often quite similar types of networks in the context of social impact. We therefore use an umbrella term, **impact-oriented networks**, as a working definition and focus on the key shared characteristics identified in prior research.
- Impact-oriented networks usually form around a shared element, of which we distinguish three: a specific, **common impact goal or cause**, a **shared experience** of its actors, or a **shared space**.
- Impact-oriented networks can differ greatly in terms of their **structure and governance**. Based on the level of centralization and the strength of ties, an impact-oriented network’s structure can take on one of four basic forms: civic membership organizations, multihub networks, tightly knit networks, and networks of networks. Their governance is shared, outsourced, or highly centralized.
- Impact-oriented networks generate benefits on different, but interconnected, levels. On the level of societal outcomes they are associated with: providing **collective answers** to complex social problems by offering an efficient infrastructure for widespread engagement and coordinating resources and action; creating **fertile ground for innovation to emerge and be implemented**; building **trust and social capital** by promoting more intense collaboration, a sense of belonging, and norms of

reciprocity; and **strengthening resilience** in a community—that is, a community’s ability to deal with external stressors or shocks through cooperation.

- Impact-oriented networks can also offer benefits to the individuals and organizations that are its members, by: increasing their **access to resources** such as information, business opportunities, valuable contacts, support, and investment; providing **external legitimacy** to increase their attributed competence and status; facilitating **social and emotional support**; and offering opportunities for individuals to **scale their engagement and impact**.
- An overview of research on the functions and tools of philanthropic donors suggests that impact-oriented networks have a **high fit with key recommended activities** for institutions that wish to move beyond traditional grant-giving.
- We identify **five principles of high-functioning networks**: a focus on long-term impact, trust-building, humility, alignment of network structure with network purpose, and a dynamic perspective on network composition.

Network thinking has become widespread over the past decades, with several groundbreaking theoretical and empirical insights inspiring action across a range of domains. Yet, network thinking has only recently entered the philanthropic and social impact field.

Thus far the **evidence is promising but predominately anecdotal**. Existing research and practical application remains largely superficial and disconnected. Nevertheless, we argue that impact-oriented networks could prove to be a versatile and impactful tool for philanthropy and social impact, and encourage further scientific and practical inquiry into this emerging topic.



1. Introduction

*Networks are present everywhere.
All we need is an eye for them.¹*

Albert-László Barabási's description of the ubiquity of networks has become one of the main references for network thinking. It describes what sociologist Manuel Castells called the “**network society**”: a society in which networks are the primary organizing principle on all levels.² Unlike the two other dominant organizing mechanisms—market exchanges and hierarchies—networks favor lateral, often informal relationships and interactions between equal actors and are bound together by norms of reciprocity and trust, rather than by transactional thinking or formalized power. While the presence of human networks as a pattern of social relationships may be as old as civilization itself, the influence of network structure has grown considerably with the emergence of new information technologies in recent decades. Novel tools for organizing communication, most notably the computer and the internet, have massively decreased the marginal costs of communication. Forming and maintaining networks of people, organizations, and knowledge across geographic and sectoral boundaries is easier than ever; this phenomenon promotes the development of network infrastructure across a range of domains—from social media and platform economies to policy-making and public discourse.³

New communication technology has not only increased the importance of networks, it has also given rise to new tools for analyzing them. In the 1990s, as information-processing capacities expanded, social network analysis emerged as a distinct and cross-disciplinary field of research. This tool has helped to push the understanding of networks beyond theoretical considerations by providing instruments to operationalize and measure key characteristics of social networks. Fueled by the great extension of networks in everyday life and advances in network theory and analysis, perceiving the world in terms of networks has become increasingly common. Practitioners in fields as diverse as management consulting, counterterrorism, and epidemiology have begun to view their domains through the lens of network theory. Rather than focusing on the agency of individual actors, this perspective puts an “**emphasis on the relationships *between* actors**” and the structural patterns of connections among a large number of actors.⁴

¹ Barabási, 2014, p.7

² Castells (1996)

³ See also Barabási (2002), Castells (1996), Slaughter (2017), Weyer (2014).

⁴ Kilduff and Brass (2010), Van Dijk (2012)

Network thinking has also become more popular in **philanthropy and the social impact sector** as for example the Bosch Foundation shows, uniting about 7,000 international changemakers in a co-creational and decentralized network. In a similarly short period of just a few years, the Impact Hub has evolved into a network of networks in 100 cities, fostering collaboration between impact entrepreneurs from different fields, generations, and geographic regions.

Network thinking might be particularly well suited for the domains of philanthropy and social impact. First, the primary motivation of actors in these fields is often to **tackle “grand challenges”**: difficult, global problems, such as inequality and climate change, that are characterized by enormous complexity and a multitude of stakeholders with diverse interests. Unlike single interventions and actors, networks can spur collective action across conventional boundaries between disciplines, sectors, and institutions, answering complex challenges with suitably complex solutions.⁵ Second, resources, power, and information in these domains are typically distributed unequally. Networks can improve the flow of information e.g. between foundations in the form of funder collaborations, between foundations and organizations working on the ground, and between beneficiaries in broader impact networks. This improves the effectiveness of learning and resource allocation as well as amplifies their social impact.⁶

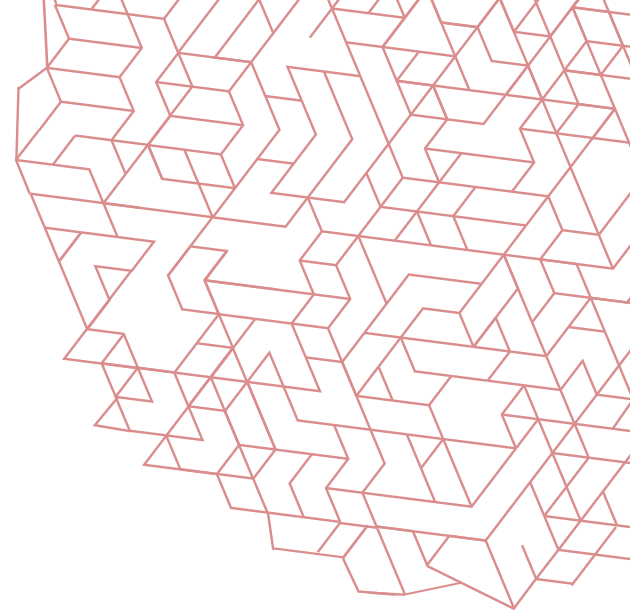
This paper provides an introduction to networks from the perspective of philanthropy and social impact. Acknowledging the depth and breadth of the discourse around networks and its terminology,⁷ We focus on a particular type of networks, **impact-oriented networks**, and discuss their key characteristics, the types of value they create, and their potential role in the philanthropic toolkit. Based on an extensive literature review of 80+ sources, ranging from peer-reviewed journal articles to bestseller books, practitioner reports and theoretical treatises, and our own reflections, we provide readers with:

1. An overview of *basic principles* of social networks and network theory.
2. An understanding of *impact-oriented networks* and their *typology*.
3. An analysis of the different types of *value created by impact-oriented networks* on the output-level (for society) and the actor-level (for the individuals and organizations represented in the network).
4. A primer on impact-oriented networks in the context of *philanthropy*.

5 *Montgomery et al. (2012)*

6 *Buteau et al. (2018); Powell et al. (2019)*

7 *See Chapter 2.2.*



2. Defining Impact-Oriented Networks

*A network consists of a set of actors or nodes along with a set of ties of a specified type that link them.*⁸

2.1. Social networks: Basic concepts and terminology

One of the most important aspects of a social network is the **linkage** between nodes. In social network analysis, “nodes” is used to refer to individual, organization, or state actors. Network thinkers are less interested in the characteristics of particular actors within a network than in the connections between them, referred to as “links” or “ties”, and the qualities of these connections. Social network analysis pioneer Mark Granovetter differentiated ties according to their degree of strength, depending on the time, intensity, trust, and reciprocity of the connection.⁹ **Weak ties** are characterized by high distance and low contact frequency e.g., acquaintances and remotely connected organizations, whereas network actors with **strong ties** have close, frequent, and trustful contact and exchange (see Figure 1, left).



FIGURE 1: THE STRENGTH OF TIES (LEFT) AND A STRUCTURAL HOLE (RIGHT).¹⁰

The type of ties that actors form has consequences not only for the actors but for the entire structure of the network. Strongly tied network actors are more likely to have connections

⁸ Borgatti & Halgin, 2011, p. 1169

⁹ Granovetter (1973)

¹⁰ Powell and Grodal (2005, p. 61f.)

to the same third parties. The political scientist Robert Putnam argued that strong ties tend to create **bonding social capital**, which is often characterized by cohesion and high levels of trust within a network, as well as high levels of homogeneity and an increased risk of over-embeddedness and group-thinking.¹¹ Actors with weak ties are more likely to act as **bridges** within a network, which means that they might provide the only existing path between two nodes. They can therefore span gaps, so-called *structural holes* (see Figure 1, right), between densely populated parts of networks and connect the network across countries, industries, classes, or political institutions. These connections can add value to all parties in the network, allowing them to exchange thoughts, ideas, and resources across previously unconnected domains.¹² But even individual actors who hold bridging positions can benefit as for example Granovetter found that people with more weak ties and better access to distant and novel information through network bridges received better offers on the labor market.¹³

Another key idea of network theory is the concept of **network centrality**, which describes the position of a node in the network: The more ties a node has, the more central it is. Often, networks contain *hubs*, a small number of nodes with many links. The links, their patterns, and their distribution form the **network structure**. The overall number of links defines the *density* of a network. Density often varies across the network; certain parts, known as *clusters*, are more densely knit than others. Networks with a higher number of clusters have a decentralized structure as e.g., the Fridays for Future movement, whereas more centralized networks take on a star-like form. Often, these are social networks which have formed around one person, so called “ego-networks” (see Figure 2).¹⁴

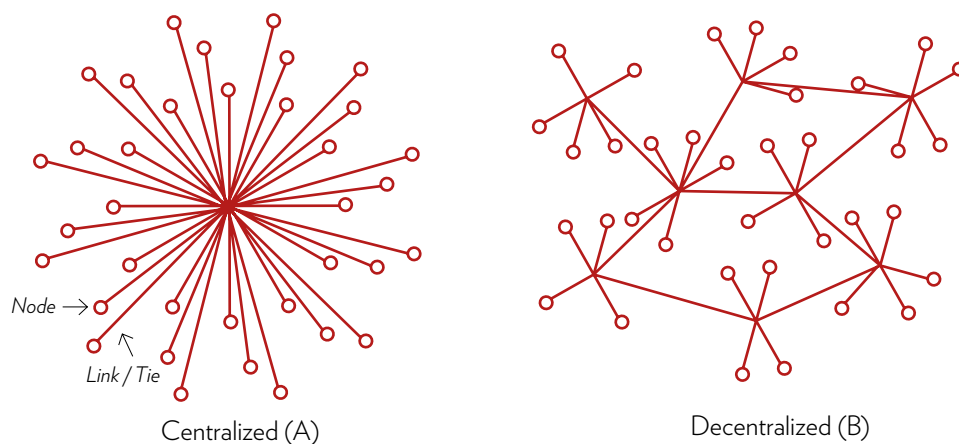


FIGURE 2: TWO BASIC TYPES OF NETWORK STRUCTURE.¹⁵

In summary, social network analysis provides us with a framework for describing how individuals and organizations establish relationships beyond markets and hierarchies. It also sheds light on how these relationships form larger network structures with distinct qualities. This understanding constitutes a useful background for uncovering the role of networks in philanthropy and social impact.

11 Putnam (2000)
 12 Burt (1992), Putnam (2000), Uzzi (1996)
 13 Granovetter (1973)
 14 Barabási (2002), Füllsack (2013)
 15 Slaughter (2017, p. 82)

2.2. Impact-oriented networks

Many of today's most pressing social and ecological problems are characterized by high complexity and scale, and extend beyond geographical, disciplinary, and temporal boundaries. Against this background, a growing number of practitioners and academics in the domains of philanthropy and social impact have taken an interest in networks as potential instruments for addressing these "grand challenges".

Over the last decade or so, scholars and practitioners have introduced a variety of concepts and definitions for initiatives in which a heterogeneous group of actors collaborates with the intention to create social impact.¹⁶ These include "communities of practice," "collective impact," "networking nonprofit," "global solution networks," "generative social-impact networks," "global action networks," and "learning networks",¹⁷ as well as broader concepts such as "alliances" and "partnerships." While each of these approaches contributes a unique perspective, all share a basic interest in networks as a means to create or amplify social impact. Building on these diverse discourses, we have made the deliberate choice to work with the neutral term, "impact-oriented networks," and to root our arguments in social network theory.¹⁸ We define impact-oriented networks as follows:

An impact-oriented network is a loosely structured set of autonomous and diverse actors (individuals or organizations) seeking to create social impact. It forms around a specific shared purpose, experience, or space.

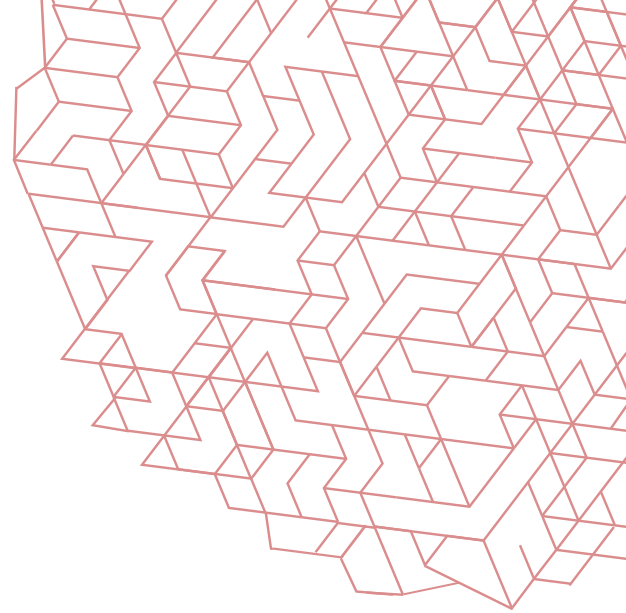
Impact-oriented networks share four key components:

1. The actors involved seek to address a social or an ecological problem.
2. Impact-oriented networks are not bound to a superordinate organization, but operate largely autonomously. However, the loose network structure provides a level of embeddedness and cohesion that is higher than in market exchanges and lower than in organizational hierarchies. (Common characteristics of high-functioning impact-oriented networks, such as a high level of trust, are not part of the definition, but are discussed in Sections 3 and 4.)
3. The network actors are diverse in the sense that they might work in different fields, sectors, regions, societal spheres, and so forth.
4. The network forms around at least one shared element: a specific purpose, an experience (past or present), or a geographical space (see Chapter 3.1).

¹⁶ For further information on these concepts, see Table 2 in the Annex.

¹⁷ For further information on these concepts, see Table 2 in the Annex.

¹⁸ Note: This is not an attempt to push a new term into a discourse that is already rich in terminology. Rather, we aim to provide a neutral middle ground between previous discourses and the theoretical base of network theory.



3. Distinguishing Impact-Oriented Networks

3.1. Typology of impact-oriented networks

Impact-oriented networks are a subset of social networks in which the actors have an intention to create positive social or environmental impact. They are often organized around a shared element:

1. a shared purpose
2. a shared experience
3. a shared space

Even though these three elements are sometimes interrelated and overlapping, they provide a useful typology for differentiating between types of impact-oriented networks.

3.1.1. Shared purpose

An orientation towards creating social or environmental value is a defining characteristic of all impact-oriented networks. Some, however, devote themselves to a **specific common impact goal or cause** that is shared across the network. This is closely related to what political scientists call *policy networks*: initiatives of individual, corporate, and state actors who jointly address a public matter. Accordingly, impact-oriented networks that form around a common impact goal are output-oriented. The shared vision of the actors provides a common narrative, goal and sense of cohesion across the network.

Examples of impact-oriented networks that have their origin in a specific common goal range from loosely to clearly formalized. On one end of this spectrum are barely formalized civic organizations established online or offline, such as the suffrage movement, Fridays for Future, Occupy Wall Street, and online networks for ad-hoc engagement such as Avaaz or Change.org. On the other end, organizations such as Amnesty International and Human Rights Watch operate more formalized global networks of local offices, loosely bound volunteer teams, and individual (online) activists who share the goal of advocating for human rights. In between are initiatives like the Global Covenant of Mayors for Climate and Energy, cofounded by Bloomberg Philanthropies, which connects public and private actors.

3.1.2. Shared experience

Impact-oriented networks can also be centered around a shared experience—either an **ongoing or future experience**, such as professional exchange, peer support, participation in a training program, or a **common past experience** like a program’s alumni network. A shared experience generates trust and reciprocity, which in turn promotes network cohesion. Impact-oriented networks based on an ongoing or future experience are often considered *communities of practice*: “a group of people who share a concern or a passion for something they do, and learn how to do it better as they interact regularly.”¹⁹ This includes collaborations between organizations working on similar tasks, such as philanthropic funders in a joint effort to improve their investment decisions such as the Knowledge for Better Philanthropy strategy initiated by the William and Flora Hewlett Foundation.²⁰

Impact-oriented networks formed around a shared experience in the past are *alumni and professional networks*. Here, actors have participated in the same educational training or university program, or are all recipients of support from the same institution. A shared background of this type connects like-minded individuals and organizations and enables ongoing collaboration and knowledge-sharing among peers. Both the Ashoka Fellowship, a global network of social entrepreneurs who learn from each other and work on joint projects, and the Bosch Alumni Network, which connects past and present beneficiaries, partners, and staff with the aim of collectively increasing the Bosch Foundation’s social impact, are examples of alumni and professional networks.

3.1.3. Shared space

Impact-oriented networks can form around a **particular geographical space**, such as a region, city, or neighborhood. Examples include locally rooted civic organizations, petition initiatives, policy networks, and community foundations such as public–private partnerships for grant-making towards community development.²¹

Here, the interrelated nature of the three basic elements around which an impact-oriented network can form—shared purpose, experience, or space—becomes evident. Networks formed around a specific impact goal often also have a spatial dimension because their goal is connected to a specific space, e.g., providing affordable housing in a particular area. It should also be noted that the spatial dimension of this type of impact-oriented network is not immutable; a place-based network can develop into a national or international group of actors. Similarly, networks formed around shared experiences can make **strategic use of spatial proximity** to foster face-to-face interaction, thereby strengthening the ties between network actors, for instance, by organizing physical events such as meet-ups and conferences, or by creating coworking spaces for impact organizations and entrepreneurs, e.g., Second Home.²²

3.2. Structure and Governance

Shared purpose, shared experience, and shared space are the three reasons that impact-oriented networks emerge and exist. However, impact-oriented networks also have other key characteristics that can shed light on how they function, the most important being **structure** and **governance**.

¹⁹ Wenger and Snyder (2000)

²⁰ See also Louie and Tiversky (2017), Poell et al. (2000).

²¹ See also Johnson et al. (2004).

²² www.secondhome.io

The **structure** of impact-oriented networks varies greatly. As mentioned in Chapter 2.1, networks can range from decentralized to centralized, and from having a prevalence of strong ties to having a prevalence of weak ties. Classifying networks in terms of both centralization and strength of ties results in a fourfold pattern (see Figure 3). *Civic membership organizations* are highly centralized and are characterized by strong ties, e.g., RE-AMP. *Multihub networks* are also centralized and often have a dense local structure, but the ties connecting these dense local hubs (see Section 2.1) are predominantly weak as in the Global Shapers Community. *Tightly knit networks* are decentralized in the sense that they lack dominant, agenda-setting central actors. They are characterized by many strong ties and a more evenly spread degree of centrality across the network, as in locally rooted alliances or intra-organizational learning networks. Lastly, *networks of networks* such as Wikipedia, Fridays for Future are characterized by high decentralization and overall weak ties between actors.²³

The **governance** of impact-oriented networks can differ according to the involvement of its network actors. On one end of the spectrum is *shared governance*, which implies equal brokering and corresponds with a decentralized network structure. It requires active membership and provides the advantages of more just, distributed, and democratic decision making. For instance, Wikipedia decentralizes much of its decision making on key articles to users and long-time associates. On the other end are *highly centralized network brokers*, in which single entities determine the network's goals and actions as to be seen in civic membership organizations. Networks in the middle of the spectrum often combine elements of shared governance with elements of centralized decision making. For example, the multihub network Habitat for Humanity centrally decides upon its major directives but leaves aspects of the realization to diverse groups of local stakeholders, volunteers, and others. Impact-oriented networks can also be externally governed by a separate entity with a solely administrative function.²⁴

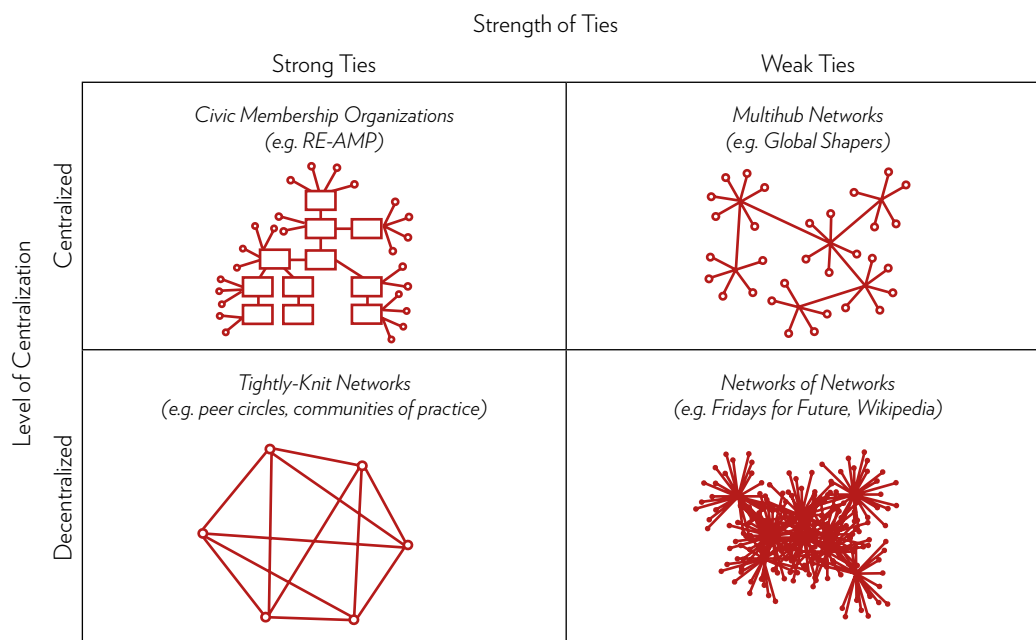
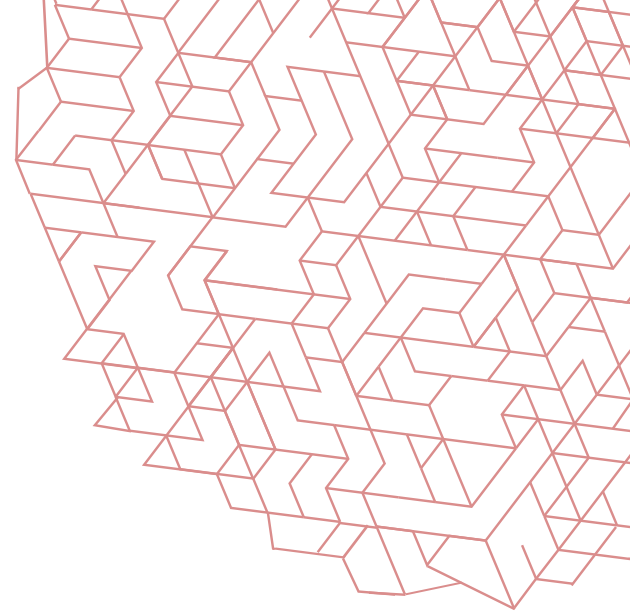


FIGURE 3: STRUCTURAL TYPES OF IMPACT-ORIENTED NETWORKS.²⁵

²³ Partly built on a typology by Scarce (2017).

²⁴ Provan and Kenis (2008)

²⁵ Adapted from Scarce (2017) and Powell and Grodal (2005).



4. The Value of Impact-Oriented Networks

[T]he potential for impact increases exponentially when leaders leverage resources of all types —leadership, money, talent— across organizations and sectors toward a common goal.²⁶

4.1. Outcome-level benefits: Social or environmental impact

Impact-oriented networks offer value on different, interconnected levels. Four crucial benefits are:

1. the ability to collectively address complex social problems;
2. the ability to generate social innovation;
3. the provision of fertile ground for building trust and social capital;
4. increased community resilience.

4.1.1. Collective answers to complex problems

One of the most important benefits of impact-oriented networks is their ability to assemble stakeholders from diverse backgrounds to collectively address a complex social problem. In many situations, impact-oriented networks are significantly more effective at creating social or environmental impact than are isolated or hierarchically executed actions.

This value can materialize in two ways: First, by **offering an infrastructure for widespread engagement**. Impact-oriented networks allow autonomous individual actors or activists to connect and build a follower base. This is most explicit on online platforms like Avaaz or wemakeit, which provide a self-administered space where individuals and organizations with similar goals can meet; advocacy initiatives can promote their campaigns; crowdfunders can maximize donations towards addressing a social or environmental problem.

A second, and often subsequent, value inherent in impact-oriented networks is their ability to **coordinate the resources and action** necessary to address a specific external problem.

Whether managed or not, an impact-oriented network makes it relatively easy for actors to cooperate on a common mission and grow in size and complexity in a short amount of time. Complex problems can thus be addressed more effectively by unified actions; this helps to avoid the duplications and overlaps that typically arise as a result of separate organizational agendas.²⁷

The potential benefits of impact-oriented networks can be summarized as depicted in Table 1.

	Value	Short Description	Exemplary References
Outcome-Level Benefits	Collective answers to collective problems	Facilitating the collective response to a complex social problem by offering infrastructure for widespread engagement and the coordination of resources and activities.	Tapscott (2013) Monitor Institute (2017)
	Generating innovation	Providing space for the emergence and dissemination of novel ideas.	Monitor Institute (2012) Obstfeld (2005) Powell and Grodal (2005)
	Building trust & social capital	Accelerating the development of mutual trust, thereby enabling better collaboration and stable long-term relationships.	Philbin and Linnell (2013) Welsh (2017) Rao and Greve (2018)
	Increasing resilience	Increasing a community's ability to absorb external shocks.	Aldrich (2012) Aldrich and Meyer (2014) Schneider and Meyer (2017)
Actor-Level Benefits	Access to resources & opportunities	Improving opportunity recognition, access to support and investment capital, as well as access to new collaborators and business partners.	Ozgen and Baron (2007) Vandor, Leitner & Stamatou (2019)
	Gaining legitimacy	Providing external legitimacy and socio-political approval to network members through signalling.	Dart (2004) Ivanova and Castellano (2012)
	Social & emotional support	Creation of emotional and personal benefits such as social support, increased well-being, and a sense of belonging and identity.	Gerdenitsch et al. (2016) Hoppe and Reinelt (2010) Dobrow and Higgins (2005)
	Grounds for action	Creating opportunities for individuals to actively engage and amplify their envisioned impact.	Moore and Westly (2011) Powell et al. (2019)

TABLE 1: THE POTENTIAL BENEFITS OF IMPACT-ORIENTED NETWORKS

4.1.2. Generating innovation

Impact-oriented networks are a fertile ground for new, impactful ideas to emerge and spread. Unlike engagement and coordination, which are often focused on a cause or shared experience, innovation in impact-oriented networks is rarely a directed process. Instead, it is an emergent characteristic of the network, dependent on the serendipitous discoveries of network actors.

The **emergence of new ideas** is particularly common when social networks have a higher prevalence of structural holes that are bridged by network ties. This means that innovation is more likely to occur in a network that consists of diverse hubs that are linked to each other by only one tie or “bridge” than in a homogeneous and densely knit network in which individuals and organizations are already familiar with each other. In the latter case, new, contradictory viewpoints that may cause productive creative tension are less likely to emerge—or have already been exchanged a long time ago.²⁸

Accordingly, diversity of actors has become a crucial starting point for setting up impact-oriented networks with the aim of generating social innovation, such as alliances for implementing the UN Sustainable Development Goals and other cross-sector partnerships. For instance, the Monitor Institute found that interactions among loosely tied network actors potentially furthers peer learning and thus broadens the range of expertise among and across an impact-oriented network, thereby yielding innovative solutions.²⁹

Once innovation has been incorporated into practice, networks can contribute to their further **dissemination and implementation**. A certain amount of network cohesion and centrality is important for a meaningful transfer of innovation. Walter W. Powell and Stine Grodal, for instance, found that successful knowledge transfer between network actors requires the ability and willingness to learn from one another, as well as mutual trust.³⁰ The two aspects of knowledge transfer—using complementary assets and recombining existing information in novel ways—depend on the successful exchange of ideas and a leap of faith. Transferring complex, implicit knowledge is only possible once a certain relationship-specific understanding of more subtle forms of communication has been established.³¹

4.1.3. Building trust and social capital

Another benefit of impact-oriented networks on the societal outcome-level is their ability to build trust and social capital, defined by Robert Putnam as being characterized by **intense collaboration, a sense of belonging, norms of reciprocity, and civic engagement** amongst actors.³²

Thereby, the role of trust in impact-oriented networks is twofold. On one hand, some level of trust is a basic component and prerequisite of networks, especially those that are informal and close-knit. On the other hand, frequent interactions between actors of a network can quickly increase the intensity and quality of relationships and thereby encourage mutual trust.

It is fair to assume that the social capital built by impact-oriented networks is not only bound to the shared object of interest, but remains embedded in relationships even when

28 See related research from innovation management and entrepreneurship (e.g., Dahl & Moreau, 2002; Gregoire et al., 2010; Leung et al. 2008).

29 Monitor Institute (2012)

30 Powell and Grodal (2005)

31 Obstfeld (2005), Phills et al. (2008), Powell and Grodal (2005)

32 Putnam (1993)

the initial unifying cause of the network has vanished e.g. because an issue was successfully addressed.³³

The role that impact-oriented networks can play in building trust and social capital can be observed in a range of cases. For instance, in a project implemented by the social venture Front Porch Forum, neighborhoods across Vermont began using an online tool with features such as sharing information, borrowing and selling products and services, and discussing local issues. Over time, mutual trust, embeddedness, and reciprocity in the local population increased, and feelings of marginalization and isolation decreased. After the intervention, 91% of community members said they were more informed about neighborhood issues and 73% said they were more likely to cooperate on a shared community need than they had been before the introduction of the online tool.³⁴

4.1.4. Creating resilience

Lastly, impact-oriented networks can foster **resilience in a community**. Community resilience has been described in the literature as “the collective ability of a neighborhood or geographically defined area to deal with stressors and efficiently resume the rhythms of daily life through cooperation following shocks.”³⁵ Impact-oriented networks can equip communities with resilience by enabling the exchange of knowledge, labor, materials, and financial resources. This makes it possible for communities to handle natural disasters and other challenges more effectively.

A crucial condition for an impact-oriented network to increase community resilience is the existence of social capital and trust. The bonding social capital available within an impact-oriented network allows for interpersonal warning systems, shared preparation, the provision of shelter and supplies, and so forth. This collective social action reduces a community’s reliance on formal aid and is largely more responsive and efficient than outside sources.³⁶

4.2. Actor-level benefits: The value of impact-oriented networks for the individuals and organizations

*[A]lone you are weak, but the moment
you are embedded in a network of fellow people,
you do not feel lonely any longer.*³⁷

In Chapter 4.1, we outlined different types of value created by impact-oriented networks for society, i.e., on the macro level. However, impact-oriented networks often benefit individuals and organizations within the network as well. This is especially the case when built around a shared space or experience and the individuals and organizations in the network pursue different goals. By empowering these actors, the network helps them to be more effective in achieving their impact-oriented goals.

³³ See also Putnam (1993), Philbin and Linnell (2013), Rao and Greve (2018).

³⁴ Welsh (2017)

³⁵ Aldrich (2012)

³⁶ Aldrich and Meyer (2014)

³⁷ Anonymous social entrepreneur in Schneider & Meyer, 2017, p. 14

4.2.1. Access to resources and opportunities

We previously conceptualized social capital with reference to Robert Putnam; here, however, the context shifts towards Pierre Bourdieu's more actor-centered understanding of social capital as "the aggregate of the actual and the potential resources which are linked to the possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition."³⁸ This implies that individuals and organizations connected to each other in an impact-oriented network can **increase their access to precious resources** such as information, contacts, or funding.

For instance, in a study of founders of small IT companies, informal industry networks and professional forums were found to play a crucial role in the process of **opportunity recognition**.³⁹ The capability of entrepreneurs to identify new business opportunities increased with the size of their informal social network and the frequency of their participation in professional networking events like conventions, conferences or workshops. Similarly, a study among coworkers at the Impact Hub found that interaction and collaboration between members was associated with increased recognition of professional opportunities and **better access to support and investment capital**.⁴⁰ The effect was particularly strong in longitudinal analyses: Every additional professional contact made through the network in 2016 was associated with a gain of 2,000 USD in investment by the end of 2017.

Another example of these benefits is provided by the ERSTE Foundation's NGO Academy, a capacity-building program for nonprofit and social enterprise leaders in Central and Eastern Europe. Evaluations of its main intervention, a cross-regional, management development course spanning four months, suggest that many participants build durable relationships through the program. One year later, 95% of respondents said they were still in touch with other international peers, 47% had entered professional collaborations with other participants after the program, and 67% had sought advice or guidance from their peers. These results confirm the **high intrinsic value of network relationships** as providers of a range of resources, which appears to outweigh the costs of relationship management despite geographical and linguistic barriers and the busy schedules of the majority of participants.⁴¹

4.2.2. Gaining legitimacy

Another valuable characteristic of impact-oriented networks is that they can lend legitimacy and credibility to their members not only within the network, but also in the eyes of third parties. Network membership functions as a signal to third parties that an actor's intentions and deeds are aligned with the expectations, norms, and beliefs of the community in which they operate. The **signal of membership** suggests that the actor has been **vetted by the network**, thereby serving as a quality seal for third parties and providing "symbolic reputational competencies" to members.⁴²

Many networks develop **strong brands and credibility** that are conferred onto their members. Network membership can indicate status and competence to a wider audience. The signaling effect of network membership is likely to help in increasing trust with potential partners, clients, and donors. Such increases in **legitimacy and sociopolitical approval** can have beneficial effects on organizations, e.g. by speeding up relationship-building with external partners, and have been shown to improve organizational survival rates, especially for small and/or new-to-the-place organizations.⁴³

38 Bourdieu (1986, p. 21)

39 Ozgen and Baron (2007)

40 Vador et al. (2019)

41 ERSTE Foundation NGO Academy (2019)

42 Ivanova and Castellano (2012, p. 406)

43 Dart (2004), Aldrich and Fiol (1994)

The process of gaining legitimacy within a network often occurs in more subtle ways. One way to gain legitimacy is through one's **knowledge of and compliance with local practices and standards**. For example, Anne-Claire Pache and Filipe Santos showed that commercial entrepreneurs entering the social welfare sector often adapt the strategies and practices of that field quickly in order to gain credibility.⁴⁴

4.2.3. Social and emotional support

Impact-oriented networks can also provide emotional and personal resources. Network access can foster conversations that are not only professionally useful, but also have a beneficial impact on **individual well-being**. Cornelia Gerdenitsch and colleagues found that interactions among loosely connected, independent professionals in coworking spaces often facilitate social and affective support.⁴⁵ Social support from professional and private networks has been linked to **better self-rated health** in research by Maud Lindholm and colleagues.⁴⁶ They found for example that nurse managers with higher social support on the job were less likely to take sick leave.

Some of these effects can probably also be credited to impact-oriented networks' ability to create a **sense of belonging** or a sense of community. A sense of community classically thrives in human collectives such as neighborhoods, faith institutions, or community organizations. Similarly, impact-oriented networks formed around members' shared experiences can drive the development of stable and valuable relationships. In their evaluation of a health leadership program's alumni network, Bruce Hoppe and Claire Reinelt found that the formation of close personal and professional relationships through bonding is a key actor-level outcome.⁴⁷

Finally, impact-oriented networks support their members in the **development of their professional identity**. Developing a professional identity is an important step in the development of career starters and individuals who seek to reorient their careers.⁴⁸ It is usually understood as a process that is at once introspective and oriented outward, toward an individual's social network. In this context, developmental networks based on mutual trust, interdependence, and reciprocity offer both professional and psychological support, thereby providing "a key means by which people can explore their possible selves and construct their professional identities."⁴⁹ We argue that impact-oriented networks, especially those formed around mutual experiences and shared goals, can perform the function of developmental networks.

Identity development is particularly valuable for individuals who work in professions that are little understood or have an ambiguous public image. For example, support networks for social entrepreneurs, such as the Social Impact Award, often focus on building a "tribe," of their peers and encourage discussion about their role in society. Such practices help participants to develop a clearer and more positive understanding of their professional identity, especially when extant identity options like "do-gooders" or "business entrepreneur" are negative or raise unachievable expectations.⁵⁰

Some impact-oriented networks use the identity-creating function of networks as part of a wider strategy. For instance, network organizations and foundations in the field of social entrepreneurship have been described as "paradigm-building actors" which, by giving grants

44 Pache and Santos (2013)

45 Gerdenitsch et al. (2016)

46 Lindholm et al. (2003)

47 Peterson et al. (2008), Hoppe and Reinelt (2010)

48 Dobrow and Higgins, (2005)

49 Dobrow and Higgins (2005, p. 569)

50 Schneider and Meyer (2017), Wry and York (2017)

or awards, provide select nascent social ventures with crucial support while also promoting certain concepts of social entrepreneurship as a legitimate profession.⁵¹ Paradigm-building actors advocate for social entrepreneurs and promote their legitimacy to a wider audience (see Chapter 4.2.3), while also allowing the network to exert discursive power and influence over how social entrepreneurship is perceived.

4.2.4 Ground for action

Finally, an impact-oriented network offers **opportunities for individuals to actively engage** in their surroundings that otherwise would not be possible. In their work on institutional entrepreneurs in networks, Michele Moore and Frances Westley described ways in which individuals can actively use impact-oriented networks to pursue their goals: Amongst others, individuals or organizations seeking to spread their ideas can use impact-oriented networks' weak links to build strategic partnerships with innovative thought leaders, the media, or politicians.⁵²

A good example is the HIV/AIDS movement, which began as a classic social movement effort. HIV/AIDS activists mobilized public protests about the pharmaceutical industry and the government testing programs and the resulting delays in the release of helpful antiretroviral drugs. As Moore and Westley point out, these initial protests served to solidify resistance to the established medical and regulatory system.⁵³ The activists then switched their strategy and leadership because they recognized a structural hole in their movement: their shared ideas were never directly connected and able to influence the medical and legal establishment. New leaders were appointed, including professionals such as doctors and lawyers who were also HIV positive and could act as representatives of the movement and bridge the gap between the movement and the formal medical and legal establishments.⁵⁴

Actors can also **amplify their impact** through collective action. Alison Powell and colleagues found that philanthropic funders that chose their beneficiaries collaboratively were able to increase their impact by collectively allocating higher levels of resources while also better synchronizing their philanthropic work.⁵⁵ Most notably, funders participating in the collaborations reported that the collectively brokered funding strategy was more consistent with the actual problem. For instance, "local funders may partner with national funders as a way to attract funding to their community, or individual funders lacking extensive staff may seek to leverage the capacity of others."⁵⁶

51 *Nicholls (2010, p. 617)*

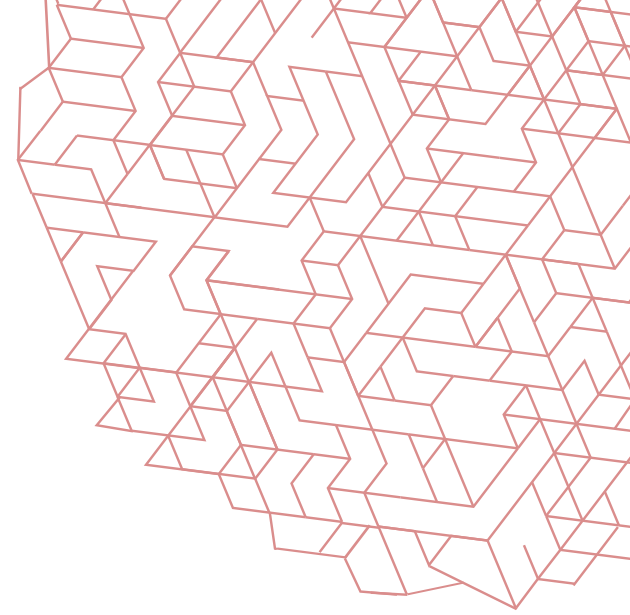
52 *Moore and Westley (2011)*

53 *Moore and Westley (2011)*

54 *Moore and Westley (2011)*

55 *Powell et al. (2019)*

56 *Powell et al. (2019, p.3)*



5. Impact-Oriented Networks as Drivers of Philanthropy

As can be seen from the provided examples, impact-oriented networks are not entirely new to the world of philanthropy. Many were initiated or prominently supported by philanthropic foundations like the Knowledge for Better Philanthropy strategy led by the William and Flora Hewlett Foundation, ERSTE Foundation's NGO Academy.

This development is in line with a more general tendency in the philanthropic world: In recent years, programs to support ideas, talent, and communities have gained traction, with an increasing number of foundations moving beyond grant-giving to setting up operative programs and direct means of support.⁵⁷ At the same time, however, academics and practitioners have paid limited attention to the applicability of impact-oriented networks as instruments of philanthropy.

5.1. The toolkit of philanthropy

Philanthropic foundations play a vital role in civil society and can influence and shape the corporate world and public policy. As they are not, or only partially, subject to the institutional logics of markets or politics, philanthropic institutions have the autonomy and power to use their resources to create value where markets and politics fail. Foundations therefore fulfill important functions in society, such as by funding research and development, education, and other areas of public interest.⁵⁸ They **complement existing offers, spur innovation, and promote pluralism**⁵⁹—all of which are important functions in addressing societal challenges and initiating social change in a comprehensive manner.

Traditionally, the main and most visible way philanthropic foundations fulfill these functions is by **providing financial resources to other impact-oriented actors**. In 2018, the expenditures of philanthropic foundations across the world were estimated to exceed USD 150 billion.⁶⁰ While practices vary, in English-speaking countries including the US, the UK and Australia, the lion's share of these resources was allocated to other organizations and individuals almost exclusively through grants.

Despite these impressive figures, there are significant limitations to traditional grant-giving.

⁵⁷ *Anheier (2018)*

⁵⁸ *Anheier (2018), Letts et al. (1997)*

⁵⁹ *Anheier and Daly (2006)*

⁶⁰ *Johnson (2018)*

First, compared to the public sector, foundations have limited resources at their disposal. This holds true not only for finances, but also for staff and political power. This limitation becomes even more apparent in the face of the substantial social and environmental challenges of the 21st century. Moreover, foundations face serious questions around accountability and transparency that can ultimately challenge their legitimacy, especially in turbulent political times.⁶¹ Second, grant-giving that focuses on covering costs rather than building capacity in organizations has been criticized as ineffective or even counterproductive.⁶²

Philanthropy therefore can and should **go beyond the provision of financial capacity to others**. As Jodi Sandfort highlighted, the toolkit of philanthropy may also include powerful micro-level tactics such as convening key actors, influencing public opinion, conducting research, and building networks.⁶³ Sandfort's argument reveals a close fit with activities related to being part of, forming, or maintaining an impact-oriented network:

1. **Convening** fosters network-building—not only by building social capital, but also by focusing attention on a particular issue. Convening key actors requires infrastructure such as physical or virtual meeting places, or a foundation's brand to lend legitimacy to a new network.
2. **Communicating to influence public opinion** can give a network a voice; here a philanthropic institution's influential position and societal relevance can be crucial for amplifying a message.
3. **Conducting research on social problems** or supporting such research is helpful for impact-oriented networks in two ways. It generates evidence around a social issue for use by the network, thereby providing both direction for impactful action and orientation for future allies, network members, and the general public. Furthermore, basing activities on research can strengthen the activities' legitimacy and, in turn, the legitimacy of the network.
4. **Building networks to mobilize responses** is central to impact-oriented networks.

With the possible exception of research, all of these tools reflect core functions of impact-oriented networks.

5.2. Creating high-functioning impact-oriented networks

Accepting the proposition that networks provide a meaningful way to create impact and are a fitting tool for philanthropic institutions, the next logical step is to ask how this tool can be used. Given the novelty of networks in the context of impact and philanthropy, prior research provides little guidance on what constitutes a high-functioning impact-oriented network. A helpful exception is the pioneering work of Jane Wei-Skillern and colleagues.⁶⁴

First, Jane Wei-Skillern and Nora Silver argued that nonprofit leaders and funders should look at the potential **long-term impact** of networks when considering whether to engage with them.⁶⁵ Investing in networks may not result in tangible short-term outcomes and even if so, outcomes will likely not be attributed to a single organization, but to the network.⁶⁶ However, an investment in networks can allow organizations to create impact at a scale that is impossible to reach alone.

⁶¹ Reich (2019)

⁶² Letts (1997)

⁶³ Sandfort (2008)

⁶⁴ Wei-Skillern and Marciano (2008), Wei-Skillern (2010), Wei-Skillern and Silver (2013)

⁶⁵ Wei-Skillern and Silver (2013)

⁶⁶ Wei-Skillern and Silver (2013)

Second, partnerships established in the network should be **based on trust, not control**.⁶⁷ Selecting the right partners is crucial, especially for assuring common goals and aligning values. While impact-oriented networks can be effective in enforcing and multiplying trust, some basis of trust is also required to form relationships. Once trust is established on the network level, it “lubricates cooperation, and so reduces transaction costs between people. Instead of having to invest in monitoring others, individuals are able to trust them to act as expected.”⁶⁸ Peter Vandor and colleagues’ (2019) analysis of collaboration in the Impact Hub network supports this argument, showing that higher levels of trust are associated with strong increases in many different types of collaboration, from sharing information and lending sources to the joint initiation of new projects and innovation.⁶⁹ Once established, trust becomes a powerful characteristic on the network level: Even coworkers with very low levels of trust were more likely to collaborate when the *average* level of trust in their local network was high compared to networks, in which the average level of trust was low.

Third, Wei-Skillern and Silver argued that network leaders should **promote others rather than themselves**.⁷⁰ Network approaches are not necessarily rewarding for single actors, such as foundations, in the short run. Some degree of humility is required, and challenges can arise when foundations are keen on getting direct credit for their work. Practicing humility can be easier said than done, as the temptation to become first among equals can be high, especially for actors that initiated a network, hold a central network position, or hold central brand and infrastructure assets. Wei-Skillern and Silver also asserted that creating a high-impact network is about **building constellations around an issue, not about being the center**. Translated into network terminology, this implies decentralized, close-knit networks rather than ego-networks.

The brief examination of network theory in Chapter 2 also sheds light on other characteristics of high-functioning impact-oriented networks, including the importance of **aligning a network’s structure with its purpose**. Networks geared towards loosely defined goals like innovation networks or networks built around the shared experiences of diverse, impact-oriented actors are likely to benefit from a higher number of weak ties and bridges to other distant hubs.⁷¹ These ties can help introduce novel perspectives, diversity, and creative friction into the network, thereby increasing the number of possible “serendipitous discoveries” and creative recombinations in the network—and thus the likelihood of innovation and original collaboration. However, when goals are concrete and action-oriented, closely-knit, strong-tie networks are more likely to get the job done efficiently.

The **ideal network** for a certain project might **change over time** and across the project’s life cycle. A network with a number of structural holes and bridges across them may be ideal for generating a breakthrough idea, but a dense, more homogenous network may be better for disseminating it.⁷² Network members and leaders should therefore embrace flexible design elements of networks early on in a network’s development by instituting permeable boundaries and low entry barriers or join or design different networks for these purposes.

This observation leads to further questions: How can one facilitate the development of a certain type of network? How much of its characteristics are emergent and how much can be influenced—and how exactly can influence be exerted? Similarly, one might ask how networks can be used as an instrument for learning, how distributed governance can function in practice, or how to deal with the sometimes exorbitant power asymmetry in some networks (just think of any network in which the Gates Foundation is involved).

67 Wei-Skillern and Silver (2013)

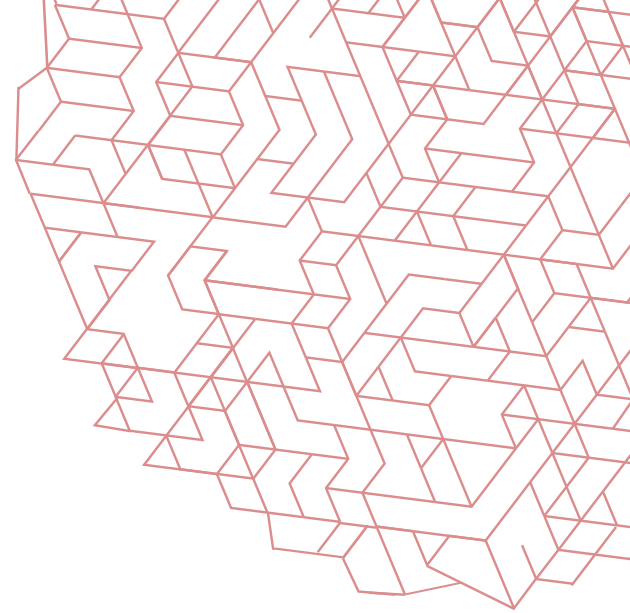
68 Pretty (2003, p. 129)

69 Vandor et al. (2019)

70 Wei-Skillern and Silver (2013)

71 Burt (1992), Granovetter (1973), Putnam (2000), Uzzi (1996)

72 Powell and Grodal (2005)



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Appendix

TABLE 2: OVERVIEW OF EXISTING CONCEPTS ON NETWORKS IN THE IMPACT FIELD

Concept	Short Description	Source
Communities of practice	“Groups of people informally bound together by shared expertise and passion for a joint enterprise. [...] People in communities of practice share their experiences and knowledge in free-flowing, creative ways that foster new approaches to problems.”	Etienne C. Wenger and William M. Snyder (2000)
Collective impact	“The commitment of a group of important actors from different sectors to a common agenda for solving specific social problem. [...] Collective impact initiatives involve a centralized infrastructure, a dedicated staff, and a structured process that leads to a common agenda, shared measurement, continuous communication, and mutually reinforcing activities among all participants.”	John Kania and Mark Kramer (2011)
Generative social-impact networks	“Networks of individuals or organizations that aim to solve a difficult problem in the society by working together, adapting over time, and generating a sustained flow of activities and impacts.”	Peter Plastrik, Madeleine Taylor, and John Cleveland (2014)
Global action networks	“Global, multi-stakeholder, inter-organizational change networks [...] including people in government and businesses and NGOs of all sizes [...] developing an audacious and complex strategy to address the challenges and opportunities presented by globalization.”	Steve Waddell (2011)
Global solution networks	“Enabled by the digital revolution and required by the challenges facing traditional global institutions, these networks are now proliferating across the planet and increasingly having an important impact in solving global problems and enabling global cooperation and governance.”	Don Tapscott (2013)
Learning networks	“By linking landscape-scale, multi-stakeholder, collaborative processes through regional communities of practice, the FLN enables participants to achieve coherent goals throughout the network while fostering the expertise necessary to develop ecological restoration plans.”	Bruce Evan Goldstein and William Hale Butler (2010)
The networked nonprofit	“Networked nonprofit leaders think of their organizations as nodes within a broad constellation that revolves around shared missions and values. [...] This requires them to focus on their mission, not their organizations; on trust, not control; and on being a node, not a hub.”	Jane Wei-Skillern and Sonia Marciano (2008)

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