Viewpoint

The Longer-Term Impact of Fixed-Life Foundations

By Anna De La Cruz & David Lehr

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www.ssir.org
Email: editor@ssir.org
The Longer-Term Impact of Fixed-Life Foundations

A small foundation that eschews perpetuity in favor of maximizing social impact can continue to sustain and scale long after its doors close. 

BY ANNA DE LA CRUZ & DAVID LEHR

Although most private foundations are designed to last forever, many philanthropists and impact investors are beginning to question this model. The prevailing approach has foundations operating in perpetuity, granting only 5 percent of funds annually, and continuing to amass wealth to be deployed in the future. This strategy may miss the mark by focusing on financial indicators rather than the social impact these foundations are designed to generate. Despite such questioning, few examples exist of foundations that have adopted a fixed time frame.

One such rarity is Linked Foundation. Since its formation in 2006, Linked planned for a fixed 20-year time frame to achieve its mission of improving the health and economic self-reliance of underserved women in Latin America and the United States. Given its limited corpus of $20 million, founder Dorothy Largay believed that the fixed-life approach would provide focus to learn quickly, develop important partnerships, achieve results, and have greater impact.

“As a small foundation, we ultimately realized that going it alone was not the most effective approach,” Largay says. “Partnering with others allowed Linked to access a rich pool of talent, resources, and shared passions that far surpassed our own capabilities.”

Largay’s strategy exemplifies the ability of a fixed-life foundation to leverage its discrete investments to catalyze a larger movement that will continue to generate impact even beyond its existence. By ushering in the inaugural women’s health-care impact fund in Latin America and cultivating partnerships and collaborations that would outlast its term, Linked demonstrates the potential for the philanthropic sector to take a bolder stance in mobilizing capital to solve problems, even under the constraints of a limited life span.

THE INVESTMENT PORTFOLIO

Linked Foundation made its first traditional grants in 2006, marking the beginning of their journey into philanthropic investment. By 2007, they evolved into a microfinance loan guarantor and joined an impact investment syndicate that boosted their understanding of, and confidence in, financing approaches that could be blended with philanthropy to catalyze impact. This move led to their first direct social venture investment in 2008 and a long running partnership with the nonprofit impact-investing firm Global Partnerships (GP).

Together with GP, Linked made several loans to health-focused social enterprises in Latin America. These were often early-stage ventures that GP considered too risky to support by itself and that would have required a loan infrastructure that Linked did not have. To mitigate the risk of these investments and play to their respective strengths, Linked provided the funds and health-impact analysis, and GP supplied financial due diligence, international loan underwriting, and loan servicing expertise.

The first loan went to a Mexican diabetes-care enterprise, Clínicas del Azúcar (CDA), which used the funds to open some of its initial clinics. GP also helped CDA to develop its financial statements and overall management process, ultimately preparing them to seek future investment. CDA is now a prized enterprise in the portfolios of several global impact investors and has become Mexico’s largest provider of specialized diabetes care.

Subsequently, Linked brought two other Mexican health enterprises to GP to partner on a similar de-risked loan model: maternal health clinics Reina Madre and eye care company Sala Uno. Alongside debt financing, Linked Foundation provided grants to fund projects that would deepen each enterprise’s social impact: a call center staffed by female patients that would become a critical part of the business model (CDA); training programs to increase the number of doctors who could provide women’s cancer screenings targeted to underserved women (Reina Madre); and eye screening and referral to diabetes care for low-income Mexicans in rural areas (Sala Uno).

These partnerships enabled Linked and GP to co-invest in social enterprises that they could not have pursued on their own. This strategy unlocked scarce, early-stage patient capital for these ventures that they needed to demonstrate the scalability and impact of their models. All three organizations have continued to scale and generate social impact for low-income women in Latin America. For example, CDA now has about 40 clinics throughout Mexico that have treated more than 300,000 patients, the majority of whom are low income, and the call center has become critical to its entire clinic network. While the grant-funded call center began as a social impact...
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Linked's investments with FB achieved 121 percent cost recovery by 2021, and these women are now healthier and more effectively running their businesses.

In addition to providing direct philanthropic investments, Linked has invested in mission-aligned impact funds such as GP, Root Capital, Advance Global Capital, and MCE Social Capital. Linked also joined MCE Social Capital to absorb loan risk as a guarantor. Linked's backing makes it easier for MCE to borrow from institutional funds and unlocks more money for the social enterprises borrowing from MCE.

The need to provide for women's health care in Latin America will continue long after Linked closes its doors. To help ensure continued investment and awareness, Linked funded a 2019 health-care landscape analysis with the William Davidson Institute (WDI) to identify needs and potential investment opportunities for the region. Linked also provided significant support identified by Empodera 360. Additionally, it will offer technical support for business development, social impact management, gender equity, and social inclusivity to health enterprises in Latin America.

The structure of a fixed-life foundation created an urgency and a focus that enabled Linked to take risks where others might not and to find opportunities where small amounts of capital and technical support could make a big and measurable difference. By keeping an open mind, learning from mistakes, and continuing to iterate their approach, Linked learned some important lessons for emerging catalytic philanthropists.

**LESSONS FOR CATALYTIC PHILANTHROPISTs**

*First, the entrepreneurs creating impact in their communities know best how to succeed. Rather than dictating the programs you want implemented, help these entrepreneurs get what they need.* For Linked this means spending time in the field with those entrepreneurs to understand their approach and the constraints they face. Linked also avoids unnecessary bureaucracy such as requests for proposals (RFPs) and deliverables that become unnecessary based on new insights as the enterprise progresses.

*Second, build trust and foster an ecosystem, both with other funders and with implementing partners, and between the two where you can't play a direct role. No one person or organization has all the skills or answers, and everyone will be better served if we are driven by the end impact goals and the quickest path to reaching them. Assess where the funding gaps are, share the findings, and mobilize partners to work together to fill them.*

*Third, provide technical support in areas where you have strength and expertise. Linked focused on impact measurement and fundraising. Assessing impact is critical to identifying and testing assumptions and to ensuring movement toward intended outcomes and is not a skill set that most entrepreneurs begin with. Linked also has a strong network of partners and an executive director with deep experience in fundraising and was able to connect social ventures to funders and other support even when there was no further role for Linked.*

*Finally, act with urgency and don’t be afraid to take risks. The surest way to catalyze long-term change is to concentrate on how to start solving important problems today with solutions that will last. If we prioritize instead the longevity of foundations, we may fail to solve the problems they were created to address in the first place.*

**ANNA DE LA CRUZ** is chief impact officer at Linked Foundation.

**DAVID LEHR** teaches entrepreneurship, finance, and social innovation at the University of North Carolina and at Santa Clara University.