The Road to Venturesome: A Guide to the Habits of More Engaged Donors

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Preface

This paper was initially prepared for an international discussion group of donors and funders that came together under the auspices of Germany’s Bertelsmann Foundation to identify, examine, document and share what the participants saw as key components and characteristics of efforts to effect more strategic philanthropy around the world. This third iteration of the draft has benefited from the guidance and criticism of many whose commitment to and passion for philanthropy are palpable. It represents an attempt to capture, drawing on TPI’s practice, what we consider to be many of the most promising attributes of more engaged and effective philanthropic initiatives. It is a distillation of the philosophical underpinnings and work habits of people who treat their giving with the seriousness, creative energy and discipline that they put into their other investment endeavors. It also obviously reflects my biases and is rooted in my own philanthropic experiences. Since this paper will forever remain a “draft,” I invite further criticism and guidance from colleagues. Write to Joe@TPI.org.

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Introduction

In recent years, as the size, shape and scope of philanthropy have changed so dramatically, the number of efforts to break away from more traditional giving or break new ground has grown with equal energy. Terms such as venture philanthropy and social investing are being applied to donor initiatives that seek to establish themselves as new, more businesslike approaches to philanthropy and to differentiate them from more conventional grantmaking, which for many newer donors seems characterized as the “bestowal of charitable gifts.”

While some of these new approaches are truly inventive, all seem to evidence values and attributes that have been central to productive philanthropy for decades. We at TPI have come to call this more entrepreneurial approach the “venturesome donor.”

Before attempting to outline some of the promising practices, habits and traits observed at TPI, I offer a brief framework of ideas and concepts that seek to explain the place we believe philanthropy can and should occupy in our society. What follows is a docket of excerpts from the writings of those whose critical thinking has sought to identify fundamentals of the philanthropic experience that speak to its critical challenges and more promising applications.

Legitimacy. What confers on philanthropy (and foundations) its franchise in society?

In 1999, the Bertelsmann Foundation commissioned a paper to document the core elements
of what confers legitimacy on the philanthropic sector in an open society. The essay by Kenneth Prewitt explored key questions: Why should large amounts of money be taken out of the tax stream to be spent by a private institution for public purposes of its choosing? Are we to presume that foundations perform a social task or function that the state and/or the market cannot perform? What might it be?

Dr. Prewitt limned four basics – redistribution of wealth, efficiency, social change, and pluralism. He concluded that while all four contributed to legitimacy, one stood alone in its importance:

*Foundations contribute to the pluralism without which there can be no functioning democracy or open society. Here, then, is a justification for the foundation sector….an ongoing and lasting contribution to the pluralism of practice and thought and via that contribution a deep commitment to the principles of tolerance and openness that flow from pluralism. If foundations can help create and preserve pluralism, can help in the search for common human values without losing sight of the diversity of belief and practice, they will have earned a legitimate place in our open society.*

**What are the critical challenges facing the philanthropic community?**

Almost four decades ago, the late Paul Ylvisaker, (Ford Foundation senior executive, later dean of the Harvard Graduate School of Education) spoke to an international conference on philanthropy:

*The struggle between the haves and have-nots will dominate the next two or three centuries. What faith, what commitments, what elasticity, and what relevance do we philanthropists bring to this critical stage in human history? What we represent is the resilient margin of the industrial order, the most stretchable part of the world’s status quo. The program question for us is whether we are stretching our resources and ourselves, as far and as fast as the situation demands. Not our own immediate situation, which is but a cozy corner in the walled castle of industrial affluence, but that universal circumstance which is the growing discrepancies between those inside the system and those without.*

Upon leaving the presidency of the Rockefeller Foundation, Peter Goldmark wrote:

*We live in a moment of history when our success on this planet depends more on the independent sector than ever before in history. Our children’s future will be shaped more than at any time in the past by what cannot be done by the market or the state, but what can only be invented, risked, dared by the non-profit sector and by strategic, compassionate philanthropy.*
What are the key roles foundations can play in society?

In 1991 a group of foundation CEOs (from MacArthur, Pew and Rockefeller) wrote about the key roles foundations can play in making a difference. They wrote that foundations can serve the global society in four distinct ways:

1. They can identify nascent dangers and alert the public before such dangers reach a grave level.
2. Foundations can spark initiatives to respond to these dangers, especially examining root causes rather than symptoms.
3. They can support those not represented in the mainstream of political and social discourse, ensuring that their voices are better heard.
4. Foundations can bring together the energies and talents of many diverse -- sometimes adversarial – groups to build new solutions to problems.

(To this I would add: they can help to craft solutions that are practical and sustainable.)

If knowledge guides philanthropic strategies, what serves as the basis for these actions?

At the end of 2002, Alan Broadbent, venture capitalist and chair of Toronto’s Maytree Foundation, drafted an essay, “Curing Philanthropy’s Ills,” for the Bertelsmann Foundation’s International Network on Strategic Philanthropy. Alan wrote:

To expect all philanthropy to be transforming, daring, brilliant, high-leverage, and enduring is unrealistic. To characterize all philanthropy as being corrupt, self-dealing, ignorant, stupid, and gutless is also unrealistic. To view grantmaking as a struggle in which learning and openness are critical assets is probably getting closer to reality. The great grantmakers have learned their craft. An increasing number of foundations are discovering that good philanthropy is hard work, and that learning how to do it better, often by listening closely to their community, is necessary.

So, what should we learn? The principal set of lessons will come from communities in which grantmakers are interested. Communities are remarkably capable of defining their needs, and remarkably practical about what works and what doesn’t. Listening to the voices in communities, whether they be geographic communities or communities of interest is tremendously useful. It is important to get as close as possible to the end-user of grants, and not get stuck listening to the voices of intermediaries.

At the end of the day, it is this “lens of community” which should be how we judge the work of philanthropy. The ultimate test of our work should be whether we had a
powerful and lasting effect that improved the lives of people in the communities we choose to serve. Needs of nearly everyone else, donors, intermediaries, and other stakeholders come behind those of the most needy in the community. Using the lens of community is our chief safeguard against having philanthropy serving elites.

Finally, what are the signs in the community of things that are likely to lead to success with the support of the philanthropic investment? The presence of strong leaders, commitment to a cause, the ability to discern good ideas from bad ones, a capacity to focus on what is important, an ability to endure, and a devotion to the service of others.

Is strategic philanthropy more art and craft or science?

In a 2001 essay, Peter Karoff, TPI’s founder, echoed the thoughts of many of our more innovative donor colleagues:

I am concerned that philanthropy is becoming too formulaic, too linear, too metric – in other words, that the emphasis on process is stifling creativity and squelching the very kind of social entrepreneurship that new generations of donors and grantmakers claim to favor. Process should be a servant of intuitiveness, values, instincts, and passions – not the other way around. It’s not that good analysis and demands for accountability are unimportant. It’s just that alone, they don’t do the job. Also needed are creativity, curiosity, a willingness to take risks, a vision of possibilities, and a desire to form enduring relationships with grantees.

Exemplary Practices

Having begun with an excerpt from an essay on pluralism, I feel compelled to point out that an outline of “good practices” in no way connotes that there is one true way to structure, organize, and carry out philanthropy. There is, however, a growing body of reliable literature and practical experience that describes the philanthropic practices of more effective funders and donors. The following is our outline of core attributes, many of which I hope may have relevance beyond national or cultural borders:

1. Having a values-driven sense of philanthropic purpose.
2. Transforming values, vision, and passion into a clear mission that articulates intent and expectations. Making effective social investments is about alignment of values, mission, priorities and strategies.
3. Treating the use of all philanthropic resources – human and financial – as a serious investment, with attendant due diligence in their application.
4. Focusing work on a targeted number of specific societal issues, needs, and opportunities that are congruent with mission and overall priorities (philanthropies
cannot be all things to all issues and need to constantly think about the wise
deployment of resources that will serve as an effective brake on what’s been called
“scatterization” of grants).

5. Assembling and continuing to gather a knowledge base that serves as the context
(e.g., A. Broadbent’s “lens of community”) for the development of a holistic picture of
an issue, specific goals, strategies and roles the foundation will play in pursuing its
aims and also serves to inform funding initiatives as they are carried out. The
research context may include answers to these queries:

a) What are the key indicators and benchmarks of the seriousness of the
issues and of progress to address them?

b) Are there observable effective practices? Are there exemplary initiatives
(and leadership) that model these promising practices?

c) Are there other funders – public and private – with experience and
knowledge in the field?

d) What is the public policy context that surrounds the issue? Where is
public opinion on this matter? Is there the public will for change?

e) Where are the critical gaps that inventive use of resources could address?

6. Developing a clear and consistent set of priority approaches to addressing focus issues
(e.g., fund research to influence policy, or underwrite grassroots organizing, or support
model programs). Or which of these will play a lead role in getting started?

7. Being results oriented but taking the long view in seeking to promote measurable
impacts – this runs counter to the “one-and-done” approach to annual grants
practiced by too many funders in the U.S.

8. Assuming roles, in addition to that of funder, appropriate to the challenges/needs of
the issues being addressed – e.g., convening colleagues and combatants or engaging
public sector leaders.
Promising Habits

Among the promising traits we see, there are eight that seem to be most relevant. Donors are:

1. Engaging the public sector; participating in and seeking to inform public policy and to elevate the public dialogue about policy matters. Most philanthropy doesn’t function effectively in a policy vacuum.

2. Including communications strategies as an integral component of overall efforts to make the foundation as effective, transparent, and accountable as possible.

3. Viewing giving as a continuing education process and taking a learning systems approach to the uses (including sharing) of the knowledge gained through the foundation’s work. Foundations evolve over time. The very best learn and grow, adapt and change.

4. Breaking free from the constraints of conventional grantmaking to use a range of philanthropic investment concepts – e.g., awards and prizes to community heroes to promote leadership; or underwriting journalists to bring key issues to the public’s eye; or loans to underwrite the front-end costs of affordable housing.

5. Seeking out talented leaders and investing in their and their organizations’ growth and institutional strength

6. Collaborating actively with other donors/funders – including the public sector – in assembling innovative program investment initiatives, in sharing knowledge, and in leveraging resources.

7. Having a “gap” mentality (i.e., looking for the critical places where resources could serve key needs and possibly have a multiplier effect).

8. Not taking on what cannot be managed effectively.

Trends

In addition to the more obvious trends -- more donors, more money in play philanthropically and more experimentation with different philanthropic vehicles and tools – I would suggest that there are five important emerging issues (or perhaps this is one person’s “wish list” for the field):
1. Accountability and transparency will increasingly become key tests of a foundation’s legitimacy within the public sector and its regulators, in public policy, and with the public.

2. Learning systems thinking will take hold and the sharing of knowledge within and without the foundation community will become a central tool of more effective and leveraged philanthropic work. This will increasingly involve the global transfer of knowledge between and among institutional funders, donors, nonprofit organizations and governments.

3. Collaboration among funders and donors will become transnational, requiring greater knowledge and understanding of diverse cultural and geopolitical issues. This also argues for the growth of effective and trusted intermediary organizations that will abet this process of responsible, productive funding across borders.

4. Donors will increasingly blur the distinctions between foundation behavior that makes grants to other entities to carry out their programmatic aims and that which operates its own efforts toward the same aims. There appears to be a greater willingness now to see these as not mutually exclusive philanthropic approaches, but rather as complementary vehicles to carry out key goals.

5. The concept of “community” will continue to grow and be creatively redefined and applied as a central driver of more engaged philanthropy. Whether it is the strong sense of place that creates global variations on the community foundation theme, or new virtual communities of donors, or communities-of-interest and networks around thematic passions, there is a compelling centripetal force of connectedness that holds great promise to change forever the artful practice of philanthropy.
Virtues

Since our colleague at Harvard, Christine Letts, the estimable Kennedy School professor, has written about social investment philanthropy as “virtuous capital,” I offer in closing a short docket of virtuous traits observed in much of the venturesome philanthropy described above:

1. Values – giving as an expression of deeply-held beliefs – including, for many, a strong sense of social justice.
2. Vision and leadership.
3. Imagination – and a willingness to take an occasional informed leap-of-faith in crafting philanthropic “deals.”
4. Passion for change, for practical solutions.
5. Intellectual curiosity and open-mindedness.
6. Courage and tenacity, especially in the realm of engagement in public policy work.
7. Humility and compassion – antidotes to the hubris and arrogance that seem frequently to occur in the field of organized philanthropy.
8. Getting hands “dirty” – in the words of a TPI client, giving is not a “bloodless exchange,” rather it is about the give-and-take of engaged, involved work.
9. Ethical behavior – living by an exemplary and overt code-of-conduct.
10. Generosity of spirit.