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Foundations and Philanthropists: Leading Innovation and Change

by Debra Nussbaum Cohen

What does funder-led innovation in philanthropy look like today? Without question, different than it used to.

Not long ago, a philanthropist with an idea for a new program or project went to an established institution, offering to provide funding and guidance, but worked through the organization's already-established structure.

While some still do, today is a different era.

Funders now see themselves now as agents of change. They are more likely to develop ideas further on their own before approaching potential recipients of their philanthropic largesse, and bring to the table fully formed ideas about how their project should work.

They are also increasingly going their own way with innovative projects, incubating their own programs. Sometimes, after being launched, they are spun off into independent maturity. But there are times when that doesn't happen -- because the board doesn't see the potential for success or because the projects fail when they can't raise enough new capital to sustain themselves.

Then there is the question of how long philanthropists should commit to staying with projects. Some believe in birthing a new project but getting out after 3 or 5 years with the expectation that it will grow further on its own. That approach has its critics.

Others stay with endeavors close to their heart in perpetuity, resulting in organizations that stay in business long after they should have shut down, say others.

There's also a new focus on evaluation and benchmarking. Some long-time leaders in philanthropy say that building evaluation into a new program from the outset improves its effectiveness, and that it is a positive example of the growing integration of business approaches into the work of non-profits.

But expectations of quick, concrete advances, which can come with this new emphasis on evaluation, can also doom a project just when it's starting to find its way and the results are not concrete or developed enough for the funders.

So the questions remain: what makes a foundation or philanthropist successful at innovation? And does innovation need to be synonymous with provocation?

"One of the unique attributes of foundations is that they are available capital operating at the will of the trustees. That's a huge opportunity for both provocation and innovation," says Jeffrey Solomon, president of the Andrea and Charles Bronfman Philanthropies, a

New York-based foundation that spent \$15 million last year on projects in Israel, Canada and the U.S.

"Sadly, very often the very nature of innovation becomes provocative. Often the old becomes threatened by any change," he says.

Charles Bronfman has experienced it first hand: "There often is resentment from the establishment when philanthropists go their own way," he said. "But don't deprive me of the privilege of doing something I'm emotionally committed to. Allow me the joy of investment in the things I love."

Establishment groups could be meeting the needs of funders more enthusiastically, says Bronfman. They should encourage philanthropists who want to do something independent by saying " 'give us so much, and then let's collaborate on something' " that the funder wants to try.

The challenges reflect the transition in the culture of philanthropy now underway.

"We're still moving from one system, where there was almost always an intermediary between the funder and the project. There was an institutional patina over everything that happened," says Sandy Cardin, executive director of the Tulsa-based Charles and Lynn Schusterman Family Foundation. The Schusterman Foundation distributes about \$5 million a year.

Bronfman is one of the 'mega-philanthropists' devoting much of his giving to strengthening Jewish identity. He often partners with peers like Michael Steinhardt and Lynn Schusterman to start new projects and programs -- think Birthright Israel and the Partnership for Excellence in Jewish Education -- that require the buy-in of partners like other philanthropists and Jewish federations.

But the Bronfman foundation has also taken on the role of new-project incubator, starting a think-tank called Israel 2164 and a group named Reboot, which itself incubates new ventures including a record label and funky literary journal. It's all designed to attract the 20-somethings who often don't make it through the doorways of more conventional Jewish points of entry.

Today "we're watching these mega-philanthropists, ours included, taking responsibility for operating programs, and not just funding them," Cardin says.

"I don't think we've sorted out as a community what that means to everyone involved. Because the landscape hasn't been worked out, easy conversations don't always take place between the various parties. Who plays what role is uncertain now - are you a creator or a sustainer? Many funders are playing roles throughout the system and that can be confusing," Cardin says.

Not all the big players in philanthropy think that the trend toward independent action is beneficial.

"There's a whole attitude among kings of the universe who are willing to discard everything that's been done already, to start organizations to bolster their own egos," says Andrew Tisch, co-chairman of the board of the Loews Corporation, and co-founder of the Ann and Andrew Tisch Foundation. He declined to discuss how much the foundation distributes.

"It creates tremendous inefficiencies in the market. At times funders have gotten halfway into a project and turned it over to the community, saying 'here, you finish this,' " said Tisch.

"Once you make a commitment to the community it's sacrosanct. The model has to take into account what it will take to keep this thing going. The last thing you want to do is renege," he says.

Evaluation: Quashing Creativity?

Evaluation is increasingly important to the growing number of funders who approach their giving today from an entrepreneurial perspective, and want to know what kind of results the dollars they're 'investing' in non-profits are getting.

But to some of our experts, that's a mistaken - even potentially dangerous - approach.

"I love that a lot of venture philanthropy is coming from young people, but this whole emphasis on evaluation is not healthy," says Barbara Dobkin, of the New York-based Dobkin Family Foundation.

Her foundation gave away over \$4 million last year, most of it to politically-focused women's organization, including The White House Project and the Ms. Foundation, and to Ma'yan, a feminist Jewish organization she founded and remains the sole funder of.

"If you're doing social change in philanthropy you can't evaluate if it's making change in a year or two. You can have benchmarks, but not evaluation," Dobkin says. It results in "too many foundations going three years and then out" of a project they've put money into. "I know that that doesn't work for groups trying to change things for women."

Even Peter Karoff, whose Boston-based firm The Philanthropic Initiative, advises funders and evaluates the effectiveness of the non-profits they create or assist, urges caution when thinking about how change is measured.

Applying these measures can kill the vision innovation requires, he says.

"The focus on measurement and evaluation take away from people's desire to take a leap," says Karoff, whose new book, "The World We Want: New Dimensions on Philanthropy and Social Change," has just been published.

"If I'm running a social entrepreneur operation, and I think about a creative leap and am then told 'explain how you're going to measure it,' the answer is 'I have no idea because I don't know what it will look like.' "

"That does not sell well in the venture philanthropy high-management process. There is often much value in getting the kind of management help and business advice that is coming with a lot of the venture philanthropy packages today. But it mutes creativity and risk taking."

"Success in innovation is not measured by building the capacity of organizations, which has really been the direction around high-performance non-profits. The focus should be on the resolution of social dilemmas," he says. "What can you do to really turn around systemic problems and get traction?"

Impact Difficult to Measure

There are many projects whose impact doesn't lend itself to easy evaluation.

Take the self-proclaimed hipster magazine Heeb, which started in 2001 and has prompted sensation and condemnation for its provocative content.

"If we know that 10,000 people are reading Heeb and, through surveys know that 7,000 aren't doing anything else Jewish, then we know it's nourishing their Jewish identity. One could say that's good enough. But others might say if that doesn't manifest itself in some other Jewish behavior, is it worth continuing to fund?" says Cardin of the Schusterman Foundation.

"That's a tough conversation, when people may back away from the hard questions and metrics. There are some programs and projects that are worthwhile simply to provide nourishment. There are programs and projects that do not need to be measured how do they lead to the next step, but that has to be a very

conscious understanding by everyone involved. Some funders who will say 'that's great, that's all it needs to do.' Others will want to see the connection" to greater levels of Jewish engagement," he says.

And there are times when evaluation can shape the direction of an organization's work for the better.

From the organization's inception, self-assessment was built into the work of Birthright Israel. The non-profit, which is currently funded, in large part, by Charles Bronfman, Lynn Schusterman and Michael Steinhardt, has sent over 100,000 young Jewish adults to Israel on free, 10-day trips intended to build their Jewish identity.

From the start, there were more people who wanted to go than could be accommodated, so Birthright had a built-in control group to study alongside trip alumni. The constant self-assessment process has led the organization to continuously shape its work, say those involved.

But, says Bronfman, he has faced at least one unanticipated challenge: "One of the most difficult things to do is to find really honest research people, because nobody wants to tell a philanthropist that he's wasting his money," says Bronfman. "They know damn well if they say that to most people then they've just lost that account."

Moving On Too Fast - Or Not Fast Enough

Not being able to quantify measurable change can lead funders to withdraw their support - a move potentially fatal to a new non-profit.

Funders "make mistakes in attempting to lead change. They often don't provide enough funding to bring programs to scale. Too often, many of them don't focus on capacity building. And they like to exit too early," says Solomon.

"The impatience is part of the entrepreneurial ethic," he says.

An article in the Harvard Business Review compared venture capital to venture philanthropy. It found that people would never do in their own business investments what they do in philanthropy. In business, they go in knowing it will be 7 or 8 years before going out, and that it will only be a 1 in 10 chance of hitting a home run, according to Solomon.

With philanthropy, though, people have a different attitude, he says: "They want to only send a check but expect big results.

Several of his partners in Birthright Israel "came on for five years and then dropped it," says Bronfman. "That is not at all unusual.

"But when going into a project, one should warn the organizers at least two years before you're leaving, that we're going to cut you back the next year and the year after that. There are certain projects you go into knowing you won't be there forever. If you say in the beginning that you'll be there for a few years you can always change your mind, but at least the organization has time to prepare.

"I remember telling that to an organization and they didn't believe me, and then were surprised when we pulled out. I said 'come on, you were given four years notice,' " recalls Bronfman.

According to Tisch, too many non-profits that were innovative and initially addressed underserved niches have now outlived their purpose.

"A lot of the AIDS organizations, they're simply still around, the March of Dimes was established to alleviate infantile paralysis. That was solved years ago and they're still in business" and shouldn't be, he says, because the continual need to fund groups like these drains resources from potential new non-profits.

Innovative philanthropists should see how they can benefit the cause they're interested in, and then move on, he says.

After 9/11, Tisch and Andrea Bronfman wanted to help families that had lost members to the terrorist strikes. "A lot of people were throwing money at them, and Andy Bronfman [who was killed in a car accident in January 2006] realized no one was paying any attention to their psychological wellbeing, why not use one of New York's greatest strengths, its social and entertainment institutions," he said.

Using their contacts and leveraging the widespread goodwill the attacks inspired, their new organization, Gift of New York, was able to provide families with free tickets to sports and cultural events. The tickets were almost all donated; money raised paid for the staff of 8 people who ran the non-profit.

After 18 months, Gift of New York shut down and donated excess money to New York Cares for the benefit of the surviving family members.

Closing shop after an innovative endeavor has fulfilled its mission "shouldn't be unusual in philanthropy, but it is," Tisch says.

Future Philanthropy

What does the future hold for innovators in philanthropy?

The profound social change that can be brought about by not-for-profits should inspire others, says Char Mollison, former vice president for member services of the Council on Foundations, a Washington, D.C.-based association of foundations and corporate grant-makers.

"You could argue that the civil rights and women's rights movements were the results of innovation by foundations," she says. "Without the non-profit legal defense foundations, there wouldn't have been a *Brown v. Board of Education*," she says, citing the landmark 1954 U.S. Supreme Court decision that outlawed racial discrimination in public education.

Today, funders like the Ford Foundation and the Gates Foundation, among many others, are breaking similarly innovative ground, she says. "They meet with government officials, learn what some systemic social problems might be. They write reports and issue papers, and get involved that way." Solomon of the Bronfman Foundation anticipates that the integration of business practices into the work of non-profits, as "serious venture philanthropy," will continue. "There will also be greater willingness to take risk," he says.

According to Karoff, "the biggest single trend will be the increased utilization of the market economy in the resolution of social dilemmas," as non-profits create for-profit ventures whose proceeds benefit those in need.

"Hopefully the bigger trend will be an increased percentage of philanthropy going into really big social problems, and less going to organizations that already are wealthy," he says.

Bronfman foresees more collaboration between funders.

"People are waking up to the idea that there's not much point to reinventing the wheel. If you can collaborate you're ahead of the game in terms of return on investment," he says. "Why take fresh money

and start a whole new infrastructure, which is expensive, when by collaborating better achieve the goals you seek to?"

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