

Notes *on the* Limitations of Strategic Philanthropy

by Thomas Scanlon

While there are benefits to strategic grantmaking, organizations should beware of taking the trend too far. As Scanlon concludes about the Public Welfare Foundation's adoption of a strictly strategic approach to philanthropy, "We threw the PWF baby—and many of its best qualities—out with the bathwater."

Editors' note: The following, originally published on NPQ's website on January 25, 2013, is an edited and abridged version of a memo, titled "Sweet Grapes," to the board of the Public Welfare Foundation. The memo was written by Thomas Scanlon, on the occasion of his leaving the board after forty years of service, including twelve years as board chair. According to its website, the Public Welfare Foundation "supports efforts to ensure fundamental rights and opportunities for people in need [and looks] for carefully defined points where [its] funds can make a difference in bringing about systemic changes that can improve the lives of countless people. The Foundation has an endowment of \$450 million and, in its sixty-five-year history, has distributed nearly \$500 million in grants to more than 4,500 organizations."

Reclaiming Opportunistic Grantmaking as a Critical Part of Our Portfolio

FIVE YEARS AGO, THE PUBLIC WELFARE FOUNDATION (PWF) made numerous changes in its governance and grantmaking that undercut many of the traditional qualities and values that have characterized PWF since its

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founding, in 1947. These qualities had gained for PWF a reputation as an innovator, open to opportunities, and supportive of new ideas as well as fledgling organizations that went on to play important roles in our society and the world.

But in 2007 we wiped the slate clean of many of the Foundation's traditions, values, and culture in a way that was, in my opinion, both unwarranted and unwise.

In 2007, we were told that we suffered, as many traditional foundations did, from "scatteration"—that is, too many projects in too many areas of interest. We were urged to focus on carefully defined programmatic objectives, and "to identify and frame problems and to determine whether systematic changes have been set in motion." Management called on us to set program objectives and ask potential grantees how to reach those objectives.

There was truth in this analysis. There had been mission creep over the years, and our funding was



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dispersed throughout too many program objectives. In the end, however, I think we went too far. We threw the PWF baby—and many of its best qualities—out with the bathwater.

Essentially, we embraced the new philanthropy: strategic philanthropy. To understand this trend, and some of the misgivings about it, I want to quote from some outside experts here. Stanley Katz, writing in the *Chronicle of Higher Education* earlier this year [2012], gave an apt description of this new thinking. He wrote:

Foundations have tended to reduce the number of program areas in which they give funds, to be more precise and detailed in their program objectives, to restrict project time frames, to establish benchmarks for continued financing, to evaluate grantees in a more precise manner, and to form partnerships with grantees in managing their projects. Paul Brest, the very able president of the William and Flora Hewlett Foundation, has summarized the new position: “The fundamental tenets of strategic philanthropy are that funders and their grantees should have clear goals, strategies based on sound theories of change, and robust methods for assessing progress toward their goals.”¹

There are certainly benefits to strategic grantmaking, and the present program of the Public Welfare Foundation illustrates them. We are identified with several unique funding niches as we work to reduce the number of persons incarcerated in our country, stop unnecessary detention of juveniles, and advance worker rights.

My own personal view is that we are overconcentrated in these areas and that we could have a real impact with grants that are fewer and smaller in size. Our advocacy of healthcare reform, for example, especially at the state level, was highly effective (and was considered the most effective by Grantmakers in Health), and yet it never crowded out the possibility of making grants to deal with other social problems or to assist new organizations or community groups.

The Foundation does allow for “Special Opportunities” in its program guidelines, but this does not open up the possibility for new

initiatives as much as I would like. Our guidelines prohibit organizations from submitting “unsolicited” ideas. Criteria for use of these limited funds has become highly restricted and limited to the Foundation’s “mission”—that is, strategic objectives. I hope you support many more initiatives in the years ahead, and that many suggestions for new initiatives come, as was the case in the past, from board members themselves.

Susan Berresford, former president of the Ford Foundation, has pointed out some of the limitations of the strategic approach. She did this in an article in the *Chronicle of Philanthropy* and in a speech delivered at Duke University’s Fuqua School of Business, in 2007.² Among the pitfalls of strategic philanthropy that she saw were:

1. That it could “miniaturize ambitions” (i.e., settle for small, measurable, short-term results);
2. That it could create outside expectations or an impatience for results; and
3. That it could turn applicants into contractors, who position their programs in ways to meet objectives set by foundations rather than pursue their own ideas and goals.

Most importantly, however, she pointed out that it could stifle creativity on the part of the grantees and the foundation:

In the same spirit, I think we should be careful about too many foundations shifting the way they operate to designing and driving all the work they fund—again, the venture model. When I look back on my now forty years in philanthropy at Ford, I see that half of the results I am proudest of came from ideas we might describe as “hatched at the foundation.” But fully 50 percent came from ideas others brought to us because they needed money to make them happen and they took their chances with us. If too many donors seem to shut off openness and readiness to support ideas from outside our walls, we will cut off a source of creativity and undermine one rationale for our existence: being an R&D resource for the innovative ideas that spring from diverse populations.

Ms. Berresford contrasted the new or “strategic” philanthropy with the old. She concluded that the new/old effectiveness dichotomy should be abandoned. The “old” donors (I accept the sobriquet for the “old” PWF) were indeed interested in goals and results, and we should not say that they weren’t. Too much emphasis on the “new approach,” she stated, “has the capacity to damage our field. We should appreciate, rather than disparage, charity.”

The adoption of a strictly strategic approach hampers what has been the most oft-cited and salient characteristic of PWF grantmaking: the responsiveness to new ideas put forth by new organizations. As I wrote in the introduction to *Seeking the Greatest Good*, my greatest satisfaction over the past forty years of being a director has been to hear from important institutions, time and time again, that we were the first or one of the first foundations ever to give them a grant.³ Funding the first hospice in the United States and spreading the hospice movement around the United States was not something we planned to do; it came to us as an opportunity, and we seized upon it.

Over many years, the public reputation of PWF has largely been based on our ability to be “risk takers.” I have used that term to describe us many times. On writing this memo, however, I began to think that “risk taker” was not the proper term. It did not take much of a risk, for example, to provide \$2,000 to Sesame Street in its earliest days so that TV sets could be made available to low-income children. It was not much of a risk to be among the first to support Bob Greenstein at the Center on Budget and Policy Priorities, or John Adams at the National Resources Defense Council, or Joe Eldridge and Bill Brown at the Washington Office on Latin America. In retrospect, I believe that we were not so much risk takers as believers—believers in individuals, believers in a dream, believers in an idea whose time had come. We were, to use my favorite phrase, philanthropic opportunists. I urge you to give openness, responsiveness, and opportunism an equal place again on the scale of values that drive the grantmaking of the Public Welfare Foundation.

Restoring Direct Service and Empowerment of the Poor

For several decades, the key operating principles of the Foundation were a commitment to direct service, advocacy, and empowerment of the poor. In 2007, we walked away from two of these three key elements of our program.

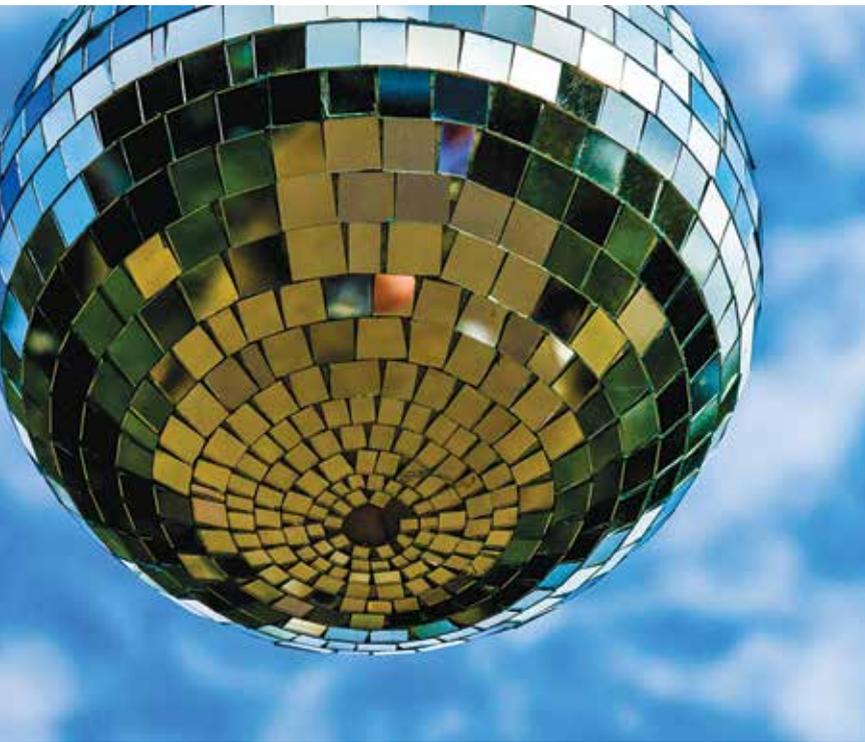
I cannot recall when the board explicitly ruled out support for direct service, and can find no mention of this decision in the strategic recommendations made in 2007 or in the guidelines that the board approved in subsequent years. Yet the description of the grant application process says that the Foundation does not fund direct services.

If anything, there has been renewed interest in direct service in some of the most important philanthropic institutions. Our new partner, the Kresge Foundation, which previously focused on building projects, has adopted a strategic approach but exclusively supports “organizations that provide critically needed assistance to individuals and families.” Their rationale is that such programs “anchor us in the challenges and promising practices of day-to-day human service work.”

To our founder, Charles Marsh, direct service was everything. It was epitomized by his creation of the agent system. The goal was to find people who would “distribute funds to needy people without their being compensated themselves.” He wanted no paid staff, no bureaucracy, no middleman. Ten years after PWF was created, Marsh had eighty-nine agents spread throughout the world providing direct service to needy populations with practically no administrative or staff costs. This was about as direct as you could get. Foundation lore has it that Charles Marsh was the model for the television program “The Millionaire,” which was so popular in the 1950s for highlighting anonymous gifts to individuals and families in dire need.

Over time, the Foundation realized that advocacy was also a critical tool in addressing poverty, but we should never let advocacy replace direct service in our scale of philanthropic values. Direct service organizations keep us in contact with the individuals whose problems our policy work is aimed at resolving. They can, in themselves, be

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an important tool for community organizing and empowerment work. They bring the board and the staff to where “the rubber hits the road,” and provide greater assurance that our time, effort, and resources have made a visible difference in the lives of individuals.

We have removed another key prop of the PWF funding platform: empowerment of the poor. This commitment entered into practically everything we did, even advocacy. Former PWF Executive Director Larry Kressley always made a distinction between “inside” and “outside” advocates, the insiders being those directly affected by the problem: the communities themselves. Nowhere was this more important or obvious than in our environmental justice work, where we enabled communities affected by pollution and contamination to become involved in advocating for change. When we launched the Fund for Washington’s Children and Youth as part of our fiftieth anniversary celebration, in 1997 (a direct service project aimed at one of D.C.’s poorest communities, Ward 8, or Anacostia), we asked the communities themselves to establish the program criteria and to create an advisory council to help us decide on grants.

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carried out over decades, PWF established a unique reputation for supporting grassroots efforts and community change. I continue to believe in this type of funding as a mainstay.

Restoring a Global Vision

In 2007 the PWF board accepted—to my great regret—the argument that there was no place for us on the international scene, where the problems of poverty, illness, and deprivation are so much greater than in our own country.

Charles Marsh’s philanthropic instincts and practices were first in evidence in Europe and the Caribbean. Our foundation’s first projects were in Jamaica, small “Peace Corps”-type projects that brought improved water supply, vegetable gardens, and even gifts of wedding rings to couples to help them establish their legal rights. The international reach of Marsh’s generosity spread rapidly. By 1953 the Foundation was supporting orphanages in France and Burma, and had agents in over twelve countries. Among them were Mother Teresa (yes, Mother Teresa) and Indira Gandhi, in India; Roald Dahl, in England; and Noël Coward, in Jamaica. Marsh’s philanthropic interests clearly extended to whomever in the world he could find “in the greatest need.”

In 2007 we were told, “the Public Welfare Foundation lacks the on-the-ground expertise to assess the competence and effectiveness of [international] applicants.” In other words, we were told that we could not be “strategic” in international programs. The fact is that by being opportunistic and acting even without “on-the-ground expertise,” the Foundation pioneered numerous international programs that had lasting and far-reaching effects. Here, I will recount several of them.

- PWF was one of the first foundations to support microenterprise. Microenterprise development plays an important role in the plans of all development agencies today as an exceptionally effective means of promoting economic growth and creating jobs. Our first grant, to Acción Internacional, who helped develop this tool, was in 1975 for a program in Brazil. We continued to support Acción with over \$3 million until the early 1990s.

- PWF was among the first to make a grant to the National Resources Defense Council (NRDC). We did this in 1973. In the early 1990s, our support focused on the Atmospheric Protection Initiative, and supported NRDC's efforts to combat global climate change. We continued to provide NRDC with \$250,000 a year for the next fifteen years in support of its climate change initiative.
- PWF became, in essence, the sustaining member of the Arms Control Association, starting in 1973. Its work was lonely but critical, especially in the 1980s, when our leaders were advocating massive military build-ups and placing MX missiles aboveground, on mobile platforms. We also provided core support for the Scoville Fellows Program for many years. The program continues to produce arms control experts today, a task that is as important now as it was then.
- In the last two decades, PWF supported two efforts in Africa that also demonstrated our ability to show leadership in international programs. We supported programs aimed at eradicating the practice of female genital mutilation (FGM) in Sudan, Somalia, the Gambia, Kenya, Guinea, and Egypt—and, shockingly, in New York City, as well. We also carried on a program to educate the citizens of South Africa and other African countries on HIV-AIDS prevention. Both of these programs are now components of massive international campaigns, but this was not the case when we started them. Actually, our efforts to repair the damage to women by FGM started as early as 1974, with multi-year support to the Hamlin Fistula Hospital in Addis Ababa, Ethiopia.
- In the 1970s and 1980s, we provided critical early funding to the Hesperian Foundation, which wrote and distributes the world-renowned book, *Where There Is No Doctor*. The book provides guidance on how to deal with serious injury and illnesses in remote places that lack medical facilities. Our grant enabled the foundation to create the first translation of the book into Spanish: *Donde No Hay Doctor*. Larry Kressley serves on the board of the Hesperian Foundation today. He

told me that, were it not for PWF's help, "the Hesperian Foundation would not exist." The book has now been translated into 122 languages, and placed in the hands of over one billion individuals.

- Perhaps the greatest evidence that PWF can and has made a difference on the international scene comes from our experience with the Vietnam Veterans of America Foundation. In 1991, we awarded the Vietnam Veterans its first grant. It was for a direct service program in Cambodia to provide prosthetics to individuals who had lost limbs due to landmines. The Vietnam Veterans had a dual purpose that included efforts to ban the use of landmines as well as to eradicate those that already existed. We showed interest in this advocacy effort as well, and awarded them over \$800,000 during the 1990s. In 1997, the foundation received the Nobel Peace Prize for co-founding and coordinating the Global Campaign to Ban Landmines.

Forgive me for the strong opinions and views expressed here. It's just that I know that foundations can and must change. Some of the changes we made in 2007 were for the good, but I want to urge you, in the strongest terms possible, to consider the values that have prevailed throughout the Foundation's history as your guide to its evolution into the future.

NOTES

1. Stanley Katz, "Big Philanthropy's Role in Higher Education," *The Chronicle Review*, *The Chronicle of Higher Education*, March 25, 2012, www.chronicle.com/article/Big-Philanthropys-Role-in/131275/.
2. Susan Berresford, "What's the Problem with Strategic Philanthropy," *The Chronicle of Philanthropy*, October 3, 2010, www.philanthropy.com/article/What-s-the-Problem-With/124671/.
3. Peggy Dillon, *Seeking the Greatest Good: The Public Welfare Foundation* (Washington, DC: The Public Welfare Foundation, 2000).

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