NEW PHILANTHROPY – THE 'REAL THING' OR 'THE EMPEROR'S NEW CLOTHES'?
EFC Summer Academy – Vigo – 1st September 2006

New Philanthropy?

1. The new individual Philanthropist – self-made, younger
2. Renewed Foundations – well established, undergoing review and change of focus, working methods, organisation

Both challenging orthodox philanthropy?

The 'Real Thing'?
The Coke drink advert slogan – a new brand but the same product – all hype and no real change of substance?

The 'Emperor's New Clothes'?
The new philanthropist (or renewed foundation) – strong ego, self important….around them cluster applicants, eager for funds: noone in that 'court' is going to expose new garments as all rhetoric, no substance…?

This session:
A reality check on 'new philanthropy' – how to ensure that the new arrivals (individual and foundation) do have substance along with positive and creative impact; how to check if the new labels (like Venture Philanthropy) and new methods (like 'engaged' philanthropy) do have real substance?
(N.B 1. my examples and analysis based on UK situation where almost all foundations are grant-makers – very few are 'operative' in sense that many are in continental Europe)
N.B 2. Health warning that generalisations about foundation sector in any country is unwise – let alone across Europe; the diversity of the sector is so great)

1. The New Philanthropist

In UK:

- new 'high net worth' individuals, earned huge bonuses
- different attitudes/aspirations from philanthropic predecessors?
- not inherited wealth; made money quickly and are impatient
- not necessarily looking to create foundation 'in perpetuity' – indeed may want to spend to make a difference while alive (or be targeting issues like environment or health where funds need to be spent now to have any chance of success)
- mistrust charity world – see it as amateurish, lacking clarity about return on investment; also weak on performance and impact measurement (features of their own world to which they attach a lot of importance and regard as essential)

- some want to do more than just write cheques – want to be involved…perhaps go on the board…perhaps direct use of funds (engagement style of venture capitalist)
- enthusiastic – lots of energy, asking questions…

but also *some* can be:

- clumsy – 'bull in china shop'
- naive about measurement – unwilling to acknowledge that 'Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted' (*Einstein*)
- an inability to grasp that there may be multiple bottom lines, not just a single, quantifiable one
- a tendency to moral certainty which expects acquiescence.

2. *The 'Renewed Foundation'*

Possibly share some of the new philanthropist's aspirations – and attitudes? Also:

- Frustrated (bewildered?) by apparent lack of impact of their efforts
- Self-critical (and criticised) about current practice (ref recent research for Carnegie UK Trust): they want to tackle complex social issues, then provide insufficient funding, for too short a period, that is overly restricted in purpose – grants that, in effect, perversely can harm the organisations the foundation wants to support
- Acknowledge that their transaction costs are excessive – for themselves and for grantee – and can add little value
- Recognise that philanthropic funds are scarce – it would be criminal to waste them by making ill informed decisions to fund activities that are ineffective.

Both seeking change in:

- *What they fund* – organisations not just short term projects
- *How they fund* (going beyond just grants – loans, underwriting etc)
- *Being more than just a funder* – adding value through operational involvement and engagement with work they are supporting
- *The use of all their assets* – e.g. people and know-how; influence and convening; buildings and physical assets; mission related investment.

New Philanthropists and Renewed Foundations – both:

- ***Funder led change*** – directed and driven by the 'supply side', not proposed by demand/market/consumer. Danger of donor imposed systems and requirements that may not be appropriate or helpful to the organisations carrying out the work that funder wants done
- ***Going beyond providing money*** – danger of donor directed action, not necessarily appropriate or well informed by experience.

So, how to ensure that the new or renewed are effective?

I suggest three key investments, in:

1. ***Understanding change*** – the nature and impact of what is happening within the environment within which the foundation/philanthropist is seeking to work. ***Change is inevitable***, whether it be slow or fast; anticipated or unexpected; internally driven (founder succession, new CEO, new learning) or externally created (government, IT). Therefore, invest in good ***navigation*** (map, compass – clear values as a reference for all actions and initiatives) and getting hold of the know-how and views of experienced ***navigators***.
Risk is inevitable if foundation/philanthropist is tackling difficult social challenges – address that risk with confidence, helping grantees reduce exposure through investment in their capacity and knowledge.

2. ***Testing own effectiveness*** – foundations insist that the organisations they fund evaluate their own performance and effective use of funds but do foundations review the quality and effectiveness of their own processes and systems? If not, maybe they should consider applying to their own work the standards they demand of those they fund; how else can they be sure:

- that the targets and priorities they have set are appropriate for the challenges they seek to address
- that their administrative processes are appropriate – and cost effective both for them and for the grantees/applicants
- that the way they are funding organisations is the best, given the aims (should it be longer term, helping strengthen capacity etc?)

3. ***Communication*** – internal and external. Foundations could do a lot more to be visible:

- explicit about aims and aspirations – and welcoming/facilitating debate and challenge
- honest about outcomes of work they have supported – whether or not it was 'successful'
- celebrate and share what's learnt by/from what they fund.

If these investments succeed, it seems likely that the ***'real thing'*** *will have substance and that the* ***'new clothes'*** *will be of lasting quality.*

Final thoughts

Presenters at this conference have drawn on lots of quotes. Here are 2 more, both made by philanthropists who were, many years ago, new:
Rockefeller, in 1969*: "Private foundations often are established to engage in what has been described as 'venture philanthropy,' or the imaginative pursuit of less conventional charitable purposes than those normally undertaken by established public charitable organizations"*
Nuffield*: "Those responsible for the disposal of private funds have a healthy duty imposed on them to accept risks which cannot be proper to those accountable for the tax payer's money; they should venture those funds for experiments about whose success there may be some measure of doubt."*

6 things I take away from Vigo – about managing change within a foundation, on coping with uncertainty and on tackling new challenges; relevant, I hope, to foundations of all sizes, shapes, aspirations:

1. Stay **Curious** – about the context, the environment, the changing landscape within which you work

2. Stay **Dissatisfied** – always looking for ways of doing better, checking the quality of the ways you work, testing if your 'customers' and partners assess your performance positively

3. Keep **Listening** – to feedback, for lessons learnt

4. Keep **Telling Stories** – about what's worked and what has not; to your audiences within the foundation as well as those that are external to it

5. Be **Adventurous** – it's a wonderful privilege to work for or be a trustee of an independent foundation; keep alert for the brilliant, albeit, maverick idea or social entrepreneur; go beyond your (and your trustees') comfort zone

6. Be **Accountable** – in the UK foundation trustees "hold assets in trust for public benefit". As others have argued here in the seminar, there is an accountability to the public because of tax privileges, there is an accountability to grantees and partners with whom you work – but, I suggest, perhaps above all, there is an accountability to the people and communities who are the intended beneficiaries of your philanthropic aspirations.

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