

Vision of Philanthropy: The Challenge to Foundation Trustees

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Author's Note: In the twenty years since this speech was given, unfortunately not much has changed. (August 2008)

IF THERE is one national characteristic that has distinguished our society from all other and has been the key to the preservation of our democratic institutions and pluralism, it has been the existence of a strong and unique nonprofit sector, fueled by private and institutional philanthropy. It has been an essential feature of our societal system of checks and balances, serving as a bulwark against the potential tyranny of both government and the majority. It has been a breeding ground for leadership. It has served as an instrument for necessary social and economic change. And the nonprofit sector has kept alive the American traditions of the public interest and volunteerism.

Today, unfortunately, our nonprofit sector faces problems and pressures unprecedented in its history.

The federal domestic budget cuts since 1981 have cost the nonprofit sector some \$35 billion to \$45 billion in losses, thereby weakening the programs of many organizations and causing many to go out of business. Disproportionately hurt have been those nontraditional organizations serving the poor, minorities, and other disadvantaged groups. These enormous losses have not been replaced by private-sector financing. They never could have. Yet, the expectations placed on the private sector, either unconsciously or by commission, have soared, creating a huge gap between what many people want the private sector to do and what realistically the latter can accomplish.

The change in values over the past decade, with the new stress on money, "making it," and individual as opposed to community responsibilities, has tended to lower the status of nonprofit activities and made it more difficult for us collectively to forge spirit of national unity based on social and economic justice.

Nonprofit organizations are experiencing difficulty in attracting the best and brightest of our young people. Nonprofit salaries and benefits are no longer competing with for-profit organizations and even government. In these tough times, financially and

organizationally, many of the nonprofit sector's most effective people have left or are leaving. .

Under fiscal pressures, a number of nonprofits are seeking desperately to become more self-sufficient and entrepreneurial, sometimes losing in the process the sense of mission for which they were originally established. The distinction between for-profit and nonprofit organizations is becoming cloudier, creating the risk that idealism and the sense of the public interest may be weakened or lost.

The threat to the health and vitality of the nonprofit sector during the coming decade poses an enormous challenge to philanthropy, to the way it does its business, to its capacity to change priorities and expand its vision. Our society's problems, and those of its nonprofit sector, have become so complex and demanding that philanthropy's past performance will not be good enough for the future. Philanthropy will have to spend its scarce dollars much more wisely and with much greater impact.

The Lack of Vision

In thinking about the challenges before us, I was struck again by the wise words of Benjamin Mays:

It must be borne in mind that the tragedy of life doesn't lie in not reaching your goal. It lies in having no goal to reach. It is not a calamity to die with dreams unfilled, but it is a calamity not to dream. It is not a disgrace not to reach the stars, but it is a disgrace not to have any stars to reach. Not failure, but low aim, is the real sin.

If there is one overall criticism that I would make of American philanthropy, it is that it has lacked vision, a sense of its vast possibilities, its unlimited potential for helping to make our society a better and more just place for all our citizens. American philanthropy has aimed much too low and achieved far too little. It has, in a real sense, had far too few failures.

While its successes have been considerable, it has been, in general, lackluster, relatively safe, and not particularly innovative or experimental, except perhaps in the fields of science, medicine and, to a certain extent, education. Its burden of risk-taking has been shared by only a relative handful of donors.

Meeting Urgent Public Needs

Another area where philanthropy has not met its promise is in its failure to exercise its fundamental responsibility for meeting our society's most urgent public needs in a way that supports our democratic principles and institutions. Since the Filer Commission study (the informal name for the National Commission on Private Philanthropy and

Public Needs) over a decade ago, we have come to accept this notion of the purpose of philanthropy, a purpose that is premised on a public obligation in return for the tax benefits conferred on donor institutions. Reflected in this concept is the view that philanthropy should do what governments cannot do, that it is positioned to try the new and untested without the constraints of bureaucracies and pressure groups and that it can and should provide the leadership for the changes that must come as our society develops and becomes more complex and difficult to manage.

Unfortunately, little attention has been paid to this critical issue, what I would call the public needs test of philanthropic relevance.

What are our most urgent and important public needs? The answer is neither obvious nor simple. What is dear is that social and economic conditions change; our most pressing problems are not those that existed thirty or forty years ago. Those changes, therefore, need to be reflected in the priorities of our foundations and corporations. Perhaps the key measure of a donor's success will be the extent to which it will have addressed those critical issues on which our national future and welfare depended.

When looking at much of philanthropy, I am reminded of Oscar Wilde's description of English country gentlemen galloping across the fields after foxes: "The unspeakable in full pursuit of the inedible." Translated into the philanthropoid's [a colloquialism for foundation officials] idiom, it could be stated as "the well-intentioned in full pursuit of the not so relevant."

Consider some of the country's most serious, current challenges. We have huge budget deficits and trade imbalances. Some of our economic institutions are not working effectively. The level of poverty in the country is higher than in 1980, and the gulf between the "haves" and the "have nots" has widened. By any reasonable definition of poverty, probably one-quarter of our population lacks the resources, opportunities, and support to "make it" in our society. We have a large homeless population and many more who are hungry. Many state and local governments are not functioning effectively: though they have more authority and power than ever before, they lack the capacity to govern well and are, in many cases, largely unaccountable.

Our rural areas remain depressed. There are troubling ethical and leadership problems among those who govern our public and private institutions. Self-help, bootstraps efforts, especially among our neediest constituencies, are dying for want of money. Americans are increasingly alienated from the electoral and political process. And there is growing concern about the way American foreign policy is implemented.

When we begin to identify these public concerns, we see that there is a serious mismatch with current philanthropic priorities. Very little money is being channeled into these vital areas of concern. While we need to respect the pluralism of giving, we should also be aware and disturbed that philanthropy, in the aggregate, is not meeting these urgent public needs. It is not preparing our country for its future. Is philanthropy being true to the public needs test? How can its performance in this respect be improved?

One specific response to this latter question is that, at a minimum, every foundation and corporation has the responsibility, indeed the obligation, of undertaking a serious process of reassessing its priorities on a regular basis in light of our most urgent public needs. Such a process should draw on the perspectives and resources of the community as well as on the views of the trustees and staff. This is a real challenge to philanthropy, for, to date, relatively few donor institutions have committed themselves to a disciplined reassessment of the extent to which their priorities are in line with perceived urgent public needs.

Unresolved Ethical Problems

A third reason for philanthropy's inability to fulfill its potential is its failure to resolve some serious ethical problems that determine the quality and fairness of its grant making. I am not referring to such matters as payments to trustees or conflict of interest issues among staff and board, although these questions are not insignificant. Of far greater consequence, in my view, are practices that affect the operation of the nonprofit community—for example, how grantees are selected, how they are treated, and how they are evaluated. A couple of examples:

The Neglect of the Poor

Every major national leader since Franklin D. Roosevelt has talked about the nation's urgent need to end poverty. Yet the persistence and enormity of the problem continues to undermine our democracy, to undercut our leadership internationally, and to waste the potential talent of one-quarter of our population.

Historically, philanthropy's response to poverty has been benign neglect. After the drastic domestic budget cuts of 1981, the growing holes in the safety net for the disadvantaged and the increased call for private-sector involvement, one might have expected a sizeable shift in philanthropic priorities. A number of foundations and corporations did slightly increase their contributions to the poor. On the whole, however, this increase was minimal. The poor, minorities, the disabled, women, and other disadvantaged constituencies are still receiving a shamefully small part of philanthropic resources. And, of this amount, very little goes to those organizing, capacity building, and advocacy efforts that are the key to real self-help and self-development. Often, capital expenditures continue while human needs go begging.

In a democracy, with its principles of individual dignity and social and economic justice, can philanthropy afford to continue to give so little to such a large number of the neediest in our society? Is it ethical for philanthropy to continue its neglect of the poor and the powerless?

The Double Standard

Probably nothing is so frustrating and infuriating to donees as the double standard by which many nontraditional organizations are judged much more rigorously according to higher standards than some of their more traditional or establishment counterparts. Let me give you an example.

Several years ago in a large metropolitan area, a popular amphitheater, located in the suburbs and catering largely to affluent city dwellers and suburbanites, burned to the ground. Without asking any serious questions about the nonprofit owning and managing the theater—for example, how accountable was the board, were there any major structural defects in the building—donors and the federal government mounted a massive fund-raising campaign which brought in millions of dollars in a very short period of time. Every major foundation, corporation, and individual donor, as well as the federal government, gave large sums of money without assessing whether the theater corporation was well run or accountably.

At the same time, a number of grassroots organizations serving poor and other disadvantaged families in the same metropolitan area could not raise a dime from many of these same donors, although their leadership, management, and programs were of the highest quality.

Many nonestablishment groups have been told by donors that in hard financial times the must become leaner, tougher, and more effective, yet we find that these arguments are frequently not applied to establishment organizations. Why should a fourth-rate orchestra, ballet, or museum be funded when it's so difficult to support first-rate community groups or alternative service agencies? Is there an inherent right for some organizations to exist and not others?

Excellence, it seems to me, has to be the standard for grant makers, whether the donors are dealing with establishment or nonestablishment groups. To do otherwise is to be unethical and, in the long run, to undermine the nonprofit sector itself.

These are only two examples of the ethical dilemmas philanthropy faces. You might add others: the lack of access to donor institutions by nontraditional nonprofits; the reluctance of donors to provide general operating support when such funding is crucial to the operations and integrity of nonprofit groups; the arrogance of some donors and the poor treatment often accorded to grant recipients; and the giving of general support to United Ways that are fighting to maintain their monopoly over solicitation at the workplace. Whatever their nature, these problems limit philanthropy's capacity to be equitable and more productive.

The Insularity of Philanthropy

The fourth area of weakness has been philanthropy's insularity and lack of public accountability. Although these characteristics have helped some donor institutions act constructively without public or political pressures, they have also lent an ivory tower quality to grant making, removed from the reality and complexity of community problems and the donee world. Small staffs and the limited time available to trustees have placed additional barriers to the donors' outreach. But probably the greatest obstacle to philanthropy's remaining in touch with the community and with current critical issues has been its relationship with the donee world.

For the most part that relationship has been one between beggars and givers, not one between equal partners in the philanthropic process. Because of this perceived imbalance of power, donors and donees generally communicate or meet only over the immediacy of a pending grant. The result is that a vital link to communities and the real world has been continually ignored by funding institutions. If donors would begin to deal with donees in solving problems outside the grant-making process, they would gain a much better sense of the major issues and problems confronting the community or country.

The traditional narrowness of many foundation boards and corporate contributions committees has not helped donors bridge the communications gap between philanthropic institutions and the rest of the community. While there has been a good deal of progress during the past ten years in adding minority, female, and non-family members to foundation boards, these additions have tended to come from a pool of professional elites. Where are the teachers, union members, social service workers and grassroots organizational representatives who, while not necessarily well known publicly, could provide perspectives and ideas that would significantly broaden and enrich the philanthropic decision making process?

The Challenge to Trustees

The four areas of philanthropic weakness that I have outlined pose a stiff challenge to donor institutions, to their staff and, particularly, to the trustees. From where is the vision, the sense of possibilities, the excitement and the energy to come? I believe it can come—perhaps can only come—from the involvement, commitment, inspiration and hard work of trustees. Just as war is too dangerous to leave to the generals, philanthropy is too important to delegate entirely to professional staff. The latter will require leadership and support of trustees, as well as their ideas and criticism.

Developing a vision implies a commitment to try the untested and to risk failure. Some of the most urgent public needs I mentioned will have to be tackled. This will require some changes, in many cases some very difficult and often painful changes. Foundations, for example, will have to overcome their anxiety about dealing with governments if they are to confront the critical issues of local government reform and public accountability. They may have to create new mechanisms if the needs of rural areas are to be met. They will

have to risk the objections of established professions and groups to initiate significant institutional reforms. The courage, support, and leadership of trustees will be essential for such innovation and experimentation. It cannot be done by staff alone.

Many of the ethical problems created by donors stem from the arrogance, poor judgment, and errors of omission of staff members. To counter this behavior, trustees will have to become more involved in evaluating staff performance on a regular basis and in exercising their oversight responsibilities as board members. Trustees have many resources they can call on to do this effectively. The perspectives and comments of donees, would-be donees, and community representatives could help trustees get a better overview of how well their donor institutions are run and perceived. Trustees must assume, if they have not already, a major role in the governance of their foundation- or corporate-contributions committee to insure that their priorities and policies are faithfully and effectively carried out.

And if the communications gap between donors and donees is to be bridged, trustees must become part of this new philanthropic partnership. It will not be enough for staff to interact more frequently with the community. Associations of grant makers will need to structure forums and exchanges between trustees, staff, donee representatives, and community people. Trustees will need to hear directly the views and recommendations of community constituencies. If this is not done, the we-they status between donors and donees, between donors and community, will be perpetuated.

Beyond Grant Making

Foundations and corporate donors are known and respected, or in a few cases disliked, for their grant making and little else. Almost all view their jobs as ending with the grant-making process. Is it surprising, then, that institutional philanthropy appears to have produced so few community or national leaders? I, for one, believe that there is an important role for philanthropy beyond grant making. Because of the mystique it enjoys in many parts of the community, it has status and the respect of many. Its opinions would be carefully considered and its leadership would draw serious attention, if not always a following. It has the power to bring various community players together at the discussion or bargaining table. In this drawing power lies its potential for great community leadership.

If there is any missing element in our democratic system, with all its factions, interest groups, and government bodies, it is, ironically, the absence of common ground where such groups can meet to discuss mutual problems, stratagems and solutions, free of current conflict and impeding crises. Just as there is little or no common ground between donors and donees, there is often none between local governments and their citizens, between corporations and public interest groups, between various sectors of the nonprofit world. It is a void philanthropy can fill effectively.

As neutral conveners, donor institutions could make certain that the most significant issues are debated, and the discussions disseminated to as broad an audience as possible. Public educator, convener, catalyst, gadfly—these are the roles that are tailor-made for philanthropists. They are roles that go beyond grant making but could turn out to be much more significant than the giving of money.

The next few years could be exciting times for a philanthropy geared for change. But, as Benjamin Mays might have said, you must aim higher and have many more failures. Many years ago, G. B. Shaw captured the purpose and hope of philanthropy when he said, “If you live in the world of ideals, you will absorb some of their beauty. If you live in a world of facts, you will absorb some of their brutality. How I wish for a world in which facts were not brutal and ideals were not dreams.”