

—EDITED TRANSCRIPT—



HUDSON INSTITUTE'S
BRADLEY CENTER
FOR PHILANTHROPY AND CIVIC RENEWAL
presents

The Challenges of Foundation Management

Thursday, February 28, 2008 • 12:00 to 2:00 p.m.
Hudson Institute • Betsy and Walter Stern Conference Center • 1015 15th Street, NW • Suite 600

At the core of foundation management is a tragic dilemma: “The choices are all so good that eliminating any one of them feels bad, and yet leaders cannot live in the no man’s land between the choices.” A grantmaker must “choose... to do one good thing at the expense of another equally good thing,” **JOEL OROSZ** observes in his most recent book, *Effective Foundation Management: 14 Challenges of Philanthropic Leadership—And How to Outfox Them*. Or, as he also writes, “there are prices to pay, people to hurt, and causes to forsake.” And that’s even before the RFP goes out.

The recent appearance of a handful of groundbreaking books on foundation effectiveness and strategy by Orosz and University of Texas at Austin Professor **PETER FRUMKIN**, among others, shows a willingness to grapple with such management dilemmas at the level of academic scholarship and in the context of an emerging profession. But are foundations learning effectively from the growing body of literature on foundation history? Is it enough to guide the field through the management fads of the present? And as Center for Effective Philanthropy President **PHIL BUCHANAN** pointed out in a February 2007 *Chronicle of Philanthropy* piece, how can foundations be effective in their grant making if they don’t pay attention to how their work affects grantees?

On February 28, 2008, Hudson Institute’s Bradley Center hosted a discussion of these and other questions with Orosz, Frumkin, and Buchanan. The Bradley Center’s own **WILLIAM SCHAMBRA** served as the discussion’s moderator.

PROGRAM and PANEL

12:00 p.m. Welcome by Hudson Institute’s **WILLIAM SCHAMBRA**
12:10 Panel discussion
Panelists: **JOEL OROSZ**, Grand Valley State University
PETER FRUMKIN, University of Texas at Austin
PHIL BUCHANAN, Center for Effective Philanthropy
1:00 Question-and-answer session
2:00 Adjournment

THIS TRANSCRIPT WAS PREPARED FROM AN AUDIO RECORDING and edited by Krista Shaffer. To request further information on this event or the Bradley Center, please contact Hudson Institute at (202) 974-2424 or send an e-mail to Krista Shaffer at Krista@hudson.org.

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PANEL BIOGRAPHIES

Phil Buchanan is president of The Center for Effective Philanthropy (CEP), where he has built a research team, secured funding, developed a research agenda, managed the development and introduction of new performance assessment tools, and authored or co-authored CEP's major research reports. Buchanan speaks regularly on issues of foundation effectiveness, foundation-grantee relations, foundation governance, and assessment of foundation performance at national and regional gatherings of foundation and nonprofit executives and trustees. He has experience in strategy consulting as a principal at The Parthenon Group, where he worked with senior executives at a variety of companies to define strategies and assess performance. He also has significant nonprofit management experience at Wesleyan University, where he served as special assistant to the president, and Mount Holyoke College, where he was assistant to the president and secretary of the College. His writings on education, foundation, and management issues have appeared in *The New York Times*, *The Boston Globe*, *The Chronicle of Philanthropy*, *Stanford Social Innovation Review*, *Alliance Magazine*, and *The Chronicle of Higher Education*, among other publications.

Peter Frumkin is professor of public affairs and director of the RGK Center for Philanthropy and Community Service at the LBJ School at the University of Texas at Austin. Frumkin is the author of *On Being Nonprofit: A Conceptual and Policy Primer* and *Strategic Giving: The Art and Science of Philanthropy*, and co-editor of *In Search of the Nonprofit Sector*. He has written articles on topics related to nonprofit management, philanthropy, cross-sector partnerships, and service contracting. Prior to coming to the LBJ School in 2005, he was an associate professor of public policy at Harvard University's John F. Kennedy School of Government, where he was affiliated with the Hauser Center for Nonprofit Organizations. Frumkin has been a senior fellow of the New America Foundation, and has worked as a foundation program officer, a nonprofit manager, and program evaluator for both nonprofit and public agencies. He has lectured on philanthropy at universities throughout the country and served as a consultant to foundations and individual donors on strategy and evaluation.

Joel J. Orosz, a nationally recognized authority on philanthropy, is distinguished professor of philanthropic studies at the Dorothy A. Johnson Center for Philanthropy and Nonprofit Leadership at Grand Valley State University in Grand Rapids, Michigan. He is also the founding director of one of the Johnson Center's divisions, The Grantmaking School, the first academically-based program to train foundation program officers in techniques of advanced grantmaking, and continues to serve on the School's the faculty. His work in philanthropy, both as a practitioner—for fifteen years Orosz was a program director in philanthropy and volunteerism at the W.K. Kellogg Foundation—and as a scholar, has centered on increasing the effectiveness of charitable foundations. Orosz has written six books and edited another on the topics of museums, numismatics, and philanthropy, including *The Insider's Guide to Grantmaking: How Foundations Find, Fund, and Manage Effective Programs*. His sixth book, *Effective Foundation Management: 14 Challenges of Philanthropic Leadership – and How to Outfox Them*, was published by AltaMira Press in 2007.

PROCEEDINGS

WILLIAM SCHAMBRA: My name is Bill Schambra, and I'm director of the Bradley Center for Philanthropy and Civic Renewal here at Hudson Institute. Krista Shaffer and I welcome you to today's panel, entitled "The Challenges of Foundation Management."

But first, our usual look ahead to future panels. As you cannot have failed to notice, the whole question of measurement grows ever more pressing for the foundation and nonprofit communities, and so we have asked Gary Walker, who just retired from a long and distinguished career as director of Public/Private Ventures and surely one of the most thoughtful and sober students of metrics and social policy to prepare a white paper on the topic, reflecting—after a long career in the trenches in this matter of measurement—on the strengths and weaknesses thereof. That will be the focus of our panel on March 20, for those of you who want to mark your calendars. We're working now to bring you our usual—well, what we try to make usual—lively and balanced group of discussants, which will include of course Walker and—so far—Kathleen Enright of Grantmakers for Effective Organizations.

For April—on April 7, to be exact—we've chosen a particularly provocative topic; we will examine the question of diversity in philanthropy, anchoring the conversation in a look at AB 624, the Foundation Diversity and Transparency Act recently passed by the California State Assembly requiring the major foundations in the state to report on their own composition and that of their grantees and contractors according to race, gender, sexual orientation, and so forth. As I say, this should be a really good conversation. Joining our panel on April 7 we will have John Gamboa, who is the executive director of California's Greenlining Institute and whose research laid the groundwork for AB 624; Pablo Eisenberg, who is with us today and is well known to all of you for his insightful analysis of foundations; Heather Richardson Higgins, who will be speaking for the Philanthropy Roundtable; and someone—possibly Steve Gunderson himself—representing the Council on Foundations.

Now for today's panel. As our featured speaker notes in the introduction to his new book, the field of philanthropy, in its woeful state of professional underdevelopment, has long lacked the most rudimentary, introductory accounts of its own workings. Joel Orosz has set about to rectify that deficiency, first with his volume *The Insider's Guide to Grantmaking* (Jossey-Bass, 2000), and then with the volume to be discussed today, *Effective Foundation Management: 14 Challenges of Philanthropic Leadership—And How to Outfox Them* (AltaMira Press, 2007, online at <http://www.rowmanlittlefield.com/Catalog>). Few are better prepared to write guides of such scope than Joel Orosz, longtime program director at the W. K. Kellogg Foundation in Battle Creek, MI; founder of The Grantmaking School (<http://www.grantmakingschool.org/>), the first academically based program to train foundation officers in the art of grantmaking; and now Distinguished Professor of Philanthropic Studies at Grand Valley State University.

After Professor Orosz briefs us on his book, we will hear reactions from two equally distinguished panelists, namely Peter Frumkin, director of the RGK Center for Philanthropy and Community Service at the LBJ School of Public Affairs at the University of Texas at Austin, and Phil Buchanan, president of the Center for Effective Philanthropy in Cambridge, MA.

So, first, Professor Orosz?

JOEL OROSZ: Thank you very much, Bill. It's good to see everybody here. In fact, looking out in the audience, I see a number of old comrades-in-arms and a few unindicted co-conspirators out there. Maybe even a mortal enemy or two. But the good news is that Phil Buchanan has graciously agreed, if necessary, to take a bullet for me. (Laughter.) Thank you, Phil!

Today, as we consider the challenges of foundation management, I would like to take as my text the gospel according to Dorothy Parker, who said – memorably, “It’s not one damned thing after another. It’s the same damned thing over and over.” As I look back, now, on the twenty-two years since I got into this field, the field is of course very different in terms of size and scope. There are about twice as many foundations now as when I got in. The payout, of course, is gargantuan compared to when I got in. But the sort of physical growth has not been matched by growth in, shall we say, the qualitative side of philanthropy. I don’t see any comparable progress in foundation management. I see the same mistakes being made in the ways in which foundation leaders are being chosen; the same tendency toward timidity in that leadership; the lack of a full commitment to the foundation field on the part of its own leaders, which I have always found very curious; and overall the same vexing failure to take philanthropy seriously. In short, the same damned things over and over.

So, in many ways I have felt like the old English king Canute, who went into the sea and ordered the tide to recede. He did it to show his courtiers that he wasn’t all powerful. I just do it because I guess I’m contrary. I’ve been trying to get the field to take itself seriously with sort of mixed results. Bill mentioned my first book, *The Insider’s Guide to Grantmaking*, published in 2000. There was sort of a huffy response from some foundation CEOs after it was published. It boiled down to saying, *who are you* to say what is good practice in this field? And my response was, well, it probably was a bit presumptuous, but since no one else was doing it I thought I might give it a try. And I think it has worked out fairly well. In the eight years since it has been out, the book has sold a little over three thousand copies. Of course, everything is contextual; three thousand copies is a very slow day for Stephen King, but in our field that actually is probably a pretty good seller. So I think it has had at least some impact.

In 2004, I showed even more insolence, I guess, when I started The Grantmaking School at the Johnson Center for Philanthropy. The audacity there, of course, was to say that somewhere in 140 years of modern foundation history, we must have learned something about good practices. And we should be able to capture those good practices and teach them to foundation program officers. Again, there has been a fair amount of *who are you* to say, and *why are you* being this presumptuous? But nonetheless, we’ve done it now for four years. People have been voting with their feet. We do about four of these very intensive three-day seminars every year, each limited to twenty-four people, and they all fill up or very close to it. Moreover, we charge actually what it costs – we don’t have anyone subsidizing it – and people are actually paying for it.

What I would like to do in the rest of my time here, rather than go over the book in detail – and of course, by using this ploy I’m hoping that you’ll actually buy the book so that *you* can go over it in detail – is I’d like to talk about some of the lessons that have come out of this experience

with The Grantmaking School. One of them was fascinating. When we got started, we thought we knew what we were doing. We were targeting this strictly to program officers, and we advertised it as such – program officers, two to five years. We focused all of the teachings on what program officers do and what they need to know. And to our great surprise, we find that in every course that we offer, about a third – about eight of those twenty-four people sitting there – are not program officers at all. They’re foundation program directors, vice presidents, and presidents, and even the board members and founders, donors to foundations, have signed up. And I keep telling them when they apply that this really wasn’t designed for them. It’s not about managing foundations; it’s about what program officers do. And they keep saying the same thing – “I know, but I never had a chance to learn what foundations are all about, the nuts and bolts of foundation programming.”

The most memorable of those conversations, I should mention, was when I was trying to talk this guy who had been a CEO for more than ten years out of attending. I told him that he’d probably be bored; it just wasn’t designed for CEOs. He kept telling me that he needed to know the basics, and finally asked, “Would this convince you?” and he started singing Simon & Garfunkel’s classic (I’m Only) “Faking It.” And then I thought, this guy we’ve got to have! So we have folks there who shouldn’t be there and yet it seems to work.

I’ve had a number of late-night conversations at The Grantmaking School with these folks who shouldn’t be there, the CEOs and the board members and so forth, and those conversations were really the impetus to writing this book about the predictable challenges and the almost inevitable dilemmas that foundation managers face. But I also came out of that with the sense that there are three things, three underlying things, that seem to cause most of the problems that I talk about in the book, and in my remaining five minutes or so I want to go over them.

The first one is that for donors, it’s all about trust. When the donors I’ve talked to talk about setting up their foundations, if they had looked at all at the philanthropic background of the people they hired to be CEOs, it was only as a tertiary consideration. These folks by and large are hounded. They are hounded by people who want their money, their influence, their time, who are trying to get a piece of them in some way. And so in reaction they tend to turn to people whom they know and trust. Overwhelmingly, they turn to their attorney, accountant, or broker. An old friend. Someone who is an officer at the company they founded. People they know and trust to run their foundation. It guarantees – to them, anyway – that they are not going to get scammed. But it also tends to guarantee that the people who come in charge of that foundation as it is starting really know very little about foundations and philanthropy.

The second point is that for the boards of foundations where the donor is no longer there, it’s all about one of two things – either risk avoidance or prestige. A number of the trustees I’ve talked to are incredibly frustrated about their colleagues, because every time the board approaches something that looks like it might have a degree of risk, looks like it might be a bit controversial, looks like it could be in the paper the next day, they pull away from it. One of the trustees gave me a great analogy; he said, “It’s not that we’re afraid that we might drive over the edge into the Grand Canyon, it’s that we stay on the east side of the Mississippi because we know the Grand Canyon is somewhere on the west side of it.” It’s that level of risk avoidance. Alternatively, there are a few foundations where the trustees get enamored of the great personage, the celebrity,

the former, shall we say, senior statesperson. Making that person the CEO of a foundation is a sort of lifetime achievement award for that person, and the trustees get to bask in the glow of being with someone famous and the people whom that famous person knows. But whether it's about playing it safe or whether it's about the star power of it all, it most certainly is not about working a foundation for maximum grantmaking impact. That seems to always be a secondary consideration.

And finally, for CEOs themselves, it tends to be about being strangers in a strange land. None of us in this room, I'm sure, were "pre-philanthropy" in college. It's not what you prepare to do. So most CEOs come to their posts in philanthropy without any training. Many of them don't have even much practical experience in philanthropy. And a number of the CEOs with whom I've spoken feel very much like they're out of their depth; they're not entirely comfortable with it. A number of them are rather wistful about the days in the future when they can go back to that profession that they know and were trained in and feel comfortable in and whose conferences they still attend, and so forth. So there really is that sense of being out of place. And, again, when CEOs are only sort of tangentially attached to the field, this does not leave a lot of room for focusing on fulfilling the foundation's mission.

Now, for those of you out there who are just dying to say, but you don't have a representative sample of the field, I know. I know I don't. I'm talking to people who care enough to spend three days and more than \$3,000 of the foundation's money to be there, to learn, and to take it seriously enough. But unscientific though it may be, I think that what my experience has been should be daunting to all of us. We clearly have a lot of folks out there who are, if I may get a little alliterative on us, dilettante donors, timid trustees, and semi-serious CEOs. I think that is a big part of the problem we have in the field. You can't imagine, whether it's government or business, that kind of situation of sort of semi-attached people, saying, well, you know, I'll run Microsoft for a while but it's not really what I want to do. I want to get back to my real field.

What do we do about it? The simple cure, as my friends at the Center on Philanthropy at Indiana University would say, is to take philanthropy seriously. We need to have donors who are as serious about giving their money away as they were about making it. We need to have boards who are as serious about results as they are about image. And we need CEOs who are as devoted to the field of philanthropy as they are to the field in which they started and from whence they came. And everyone involved needs to be as serious about achieving success as we heretofore have been about avoiding failure. There's a huge difference there.

On a practical level, I think the three panelists we have today have all offered some practical ways to do it. I've been coming at it through the angle of education; if you identify best practices and teach good practice, hopefully you can improve performance in the field. Phil Buchanan has focused on the critical importance of strategic planning in building the effectiveness of foundations. And Peter Frumkin has also used strategic planning to do the uncomfortable thing of holding the mirror up to foundations and asking them, okay, you care about how your grantees achieve their mission, but do you care as much about how well you're achieving your own mission?

Now, if you're of a succinct turn of mind, you might distill our three respective approaches into three words, if it would help you to take philanthropy seriously. Those three words are learn, plan, and execute – which sure as hell beat the same damned thing over and over.

And with that, thank you very much. I will step down and Phil (Buchanan) will take over.

PHIL BUCHANAN: I think Joel's book is a great read and really essential for particularly new foundation CEOs. Over the last six and a half years, I've worked as the CEO of the Center for Effective Philanthropy (CEP), and the way we come at this issue is really, we think it's about data, and a lack of data that can give you any sense as to how things are going. And so when Joel talked in his book about challenges like a lack of salutary external discipline, lack of reliable of feedback, and a lack of an accepted body of good practices, all of these things, to me, connect to the lack of data with which foundations can assess how they're doing. Because if you don't know how you're doing, you can create an aura of effectiveness for yourself. You can persuade people that you're effective when you're not. This happens, by the way, and there isn't much to puncture that aura.

At CEP, even though our audience is foundation CEOs, we're really focused on the leadership of the largest five hundred or so grantmaking foundations in the country, which takes you from Gates down to a foundation with about \$100 million in assets. That's our audience. We're a nonprofit but we have significant earned revenue from our assessment tools, and I guess we shouldn't want to alienate our market; but really, I think we're doing our job well if CEOs wake up in the middle of the night worrying about something. They're not going to worry about meeting payroll, if they're at a private foundation, right? And let's be honest; there really isn't that much to worry about in terms of regulation. There are threats here and there, but they're really not amounting to that much. What you should be worried about is, are you creating the maximum possible impact with the resources that you have? That's what I think it should be about. And to maximize impact, we think, requires clear goals – what is it you're trying to accomplish; coherent, implementable and well implemented strategies – so some way of operating that is going to get you to the achievement of those goals; and then indicators against which you gauge progress along the way.

Things break down in all three areas at foundations, and we can come back to that when we chat. But let me talk about the data piece. There is no common unit of measurement for impact. It's very hard to aggregate results across program areas because there is no common unit of measurement. It's also very hard to establish any kind of causal connection between what was funded and what happened. So what do you do? The evaluators typically want the data to be perfect, and so the perfect becomes the enemy of the good, often. And it often takes those coming into philanthropy from a business background a long time to recognize that they're not going to be able to calculate a return on investment. Theoretically, that's what you should be aiming for, but you can't calculate or monetize across a foundation a return on investment. So what do you do?

You have to assemble indicators, none of which is going to be perfect, but taken together, collectively, they're going to give you a sense of whether you're on the right track or not. And the problem is further complicated by the fact that you're surrounded by people, as we all know,

are inclined to say exactly what you want to hear. So it's amazing, I think, in this environment how simple measures can go a long way to changing things. At CEP, the first tool we developed was a pretty simple idea. Survey the grantees of the foundation across a whole bunch of different dimensions and ask them to rate the foundation. So if foundation leaders say, we're really interested in strengthening grantees in ways that go beyond the grant check, and we provide strategic planning, we ask, was it useful? Are we responsive? Do our grantees think they understand our strategy, not from the standpoint – people often talk about it this way – of “customer service”? These aren't customers; customers pay for something, while grantees are the recipients of grants. Secondly, and this really actually goes pretty directly in some cases to your ability to achieve impact, because if people don't know what your goals and strategies are, or they're not clear what your goals and strategies are, then your grantees are unlikely to be acting in ways that are consistent with the achievement of those goals and strategies.

So you can go and do that, but the problem is, unless you have comparative data to put results into context, you will just get good news. Grantees on average are going to rate foundations that fund them toward the high end of the scale, as cynical as they might be about foundations in general – and by the way, they *are*. I used to say, before the last election, that it's like Congress and your Congressman – you know, the incumbent keeps getting re-elected but congressional approval ratings are low. That doesn't work as well anymore, but I can't give it up.

And so by putting this data in a comparative context, foundations all of a sudden realize that they weren't as good as peer foundations on dimensions that they cared about, in the eyes of their grantees. And that ended up having an impact actually far beyond what I would have anticipated, and there is lots of evidence of that, the most recent example would be, if you go on the Gates Foundation web site, you can see a letter Patty Stonesifer just wrote to the Gates grantees about what they learned from the grantee perception report process, and committing to what they're going to do about it.* There are a lot of really powerful examples of changes that have been put in place as a result of that simple step of opening yourself up to thoughtful critique in a way that protects the confidentiality of grantees. After all, if you're funding these people, you presumably think that they're pretty smart and you can learn something, as it turns out, from their perspective.

From that, we have tried to develop a whole slew of other tools. We do a lot of work on foundation governance. And in our work on foundation governance, what we see is that the greatest source of trustee frustration is the quality of information to assess progress against strategy, which has both to do with quality of information and sometimes to do with lack of clarity on what the strategy is in the first place. So we try to use the research we've done on foundation boards to help to bring people's attention to the fact that what a board should really be worrying about, once you've got the compliance stuff dealt with – and that's a big “once,” but most foundations of size *can* deal with that stuff although too many don't, is assessing the foundation and assessing the CEO, actually holding the CEO accountable for goals, strategy, and performance indicators, and then really paying attention to the development of that strategy. So we've done a lot of work with boards. And then, we've also been amazed at how the simplest

* The Stonesifer letter is online at <http://www.gatesfoundation.org/AboutUs/RelatedInfo/GranteePerceptionReport.htm> (last accessed on March 4, 2008).

data is elusive, things like the typical number of active grants per program officer at a foundation that operates in this way or that way. You can't get your hands on these things very easily. And so we've set out to try and do that.

I think a lot of what Joel (Orosz) talks about in the book, the way I look at it, although maybe I just have one lens through which I see everything, but it really comes down to data. Information to assess and improve results.

Just to be a little provocative, and then I'll let Peter (Frumkin) probably be even more provocative, the one area where I found myself disagreeing with Joel as I read the book – at it was really the only area – was that I think that you underplay a bit the importance of strategy, and you quote Steven Schroeder, former CEO of the Robert Wood Johnson Foundation, who said, essentially, that execution trumps strategy. And I would agree that execution *of strategy* trumps strategy. Execution without strategy gets you nowhere. And what we have found in a big research project that we have done on foundation strategy recently – it's still in process – is that most program officers and CEOs whom we talked to through this research – it was a small number, but I think it will prove to hold as we broaden the research – say that strategy is essential for achieving impact. The problem is, when they talk about how they make their decisions day-to-day, resource allocation decisions, they're really not using strategy – with some exceptions, some really noteworthy exceptions. And there are all kinds of reasons why that happens. For one, nothing happens to you if you don't use strategy. There's no consequence; nothing slaps you in the face other than maybe the worry that you're not achieving the impact that you could. So I think that strategy is essential, and that would be the area where I feel like there's a tendency to worry about the downside of strategy and foundations will restrict themselves and not be able to be flexible enough. And I don't think that's nearly as much of a worry as this sort of countervailing threat that all of this grantmaking adds up to very little. When you think about the fact, and I know that in the audience there are some defenders of small grants, that out of a set of 142 large foundations that we looked at – almost all among the largest five hundred in the country, the median grant size was \$50,000. *\$50,000*. It's very hard to imagine how that kind of approach to grantmaking leads to the maximum possible impact. And as somebody who has led a small nonprofit organization and has surveyed thirty thousand nonprofits including a lot of grassroots organizations, I can tell you that even those of us at small organizations want multi-year, larger commitments. And I think that foundations, because of the lack of discipline to stay focused and get strategic, so easily end up just handing out small checks to a whole diverse array of organizations with different programs and then scratch their heads at the end and wonder what it will add up to.

I'll leave it at that for now. Thank you!

PETER FRUMKIN: It's a pleasure to be here; it's good to see some old friends. I want to work through a little bit of the content of Joel's book. Joel, since you didn't do that much direct explication of the actual text, I want to go into it in a bit more detail, particularly the first half of the book. Joel's book has two parts; the title says "*14 Challenges*," but essentially there are seven big issues – he calls them the seven big challenges – in the first half of the book, and the second half consists of the "seven dilemmas." I'm going to focus on the first half, because we only have

a limited amount of time. I could do both halves, and we can still do that offline – but after I get done with this, you may not want it! (Laughter.)

If we just take the seven big challenges in the first half of the book –

JOEL OROSZ: Take the bullet for me, Phil! (Laughter.)

PETER FRUMKIN: – what you find is that there is a little bit of sloppiness, I think, in the sense that the seven challenges aren't really seven. Joel has three major gripes, really, three complaints about the foundation field. His first complaint is that philanthropy is not sufficiently structured and organized, and that translates into challenges 1 and 5, lack of training and lack of accepted best practices. He just doesn't think that the field is sufficiently tight, sufficiently organized. The hygiene is lacking. And his solution is to do more teaching, to teach philanthropy and help people get better; to codify knowledge; and to kind of structure this field. He sees a mess and he wants to come in and clean it up.

My problem with that and my first question to Joel is, why can't we live with more messiness in this field? Why can't we have a culture of uncertainty and exploration? Why do we need a kind of institutional isomorphism and a rush to best practices and centralized knowledge? I don't know how many decades or centuries we are away from that, but I don't think we're anywhere near the point now in the evolution of philanthropy where we have really good rules and laws that we can enact and share. And I think, Joel, your rush to structure and organization is driven by a well-meaning desire to improve hygiene, but it's too early. You need to lay back, let this chaos unfold a bit more, and be more patient.

Joel's second complaint is that the field of philanthropy is too sealed off from the rest of the world. This maps to challenges 3 and 4, lack of external discipline and lack of reliable feedback. Both of those challenges are essentially complaints about the impenetrable nature of philanthropy; the field is not open enough to the external world. Joel's solution is, reasonably enough, the idea of foundations listening more. He wants them to open their ears; to embrace the external world; and to be more accountable – they're going to listen and then they're going to respond, they're going to interact. And who could be against that?

Well, I might be. (Laughter.) Why do we want to tether philanthropy to external factors? Why do we want to kind of lock it down into what everyone out there says or wants? Don't we want to protect the field, which has a certain amount of autonomy, a certain amount of space within which expressive, idiosyncratic, wild ideas can flourish? If the field is constantly listening and constantly wringing its hands and worrying about what people are saying, I don't see how that creates a culture in philanthropy of exploration and growth. So my question to Joel on his second complaint is, shouldn't we allow more space for philanthropy to do its work? Why should we open this field up and say that it should be tethered to this external discipline and feedback? I'm not against it; it's okay. You do nice work, Phil (Buchanan), and I don't mean to say anything about it. But there's also a good argument –

PHIL BUCHANAN: I'm glad you think it's "nice." (Laughter.)

PETER FRUMKIN: – but I'd just like you to think about the idea that there's something also nice about giving the field a certain amount of autonomy, a certain amount of shelter, so that it can do its stuff – particularly if you're interested in risk-taking. Joel, a lot of what you argue in the book is not risk oriented. It goes in exactly the opposite direction.

So that's my second question – why do we want to really throw the doors wide open? Yes, I believe in accountability. Yes, I recognize that these are tax-privileged funds. But do we really want the field jumping to the beat of an external drum?

The third complaint you have, Joel, is that the field is not coherent and normalized, and this is very consistent with challenges 2, 6, and 7, lack of cohesive culture, lack of cohesion between board and staff, and lack of ideological cohesion within the staff. The word “cohesion” is used three times across those three challenges. So your basic concern here, Joel, is this tidiness problem. This hygiene problem. The field is not tight enough. It's not homogeneous. It's not aligned. It's not smooth, it's not well oiled. There's conflict. There's trouble in this field. And what you'd really like is for foundation boards to agree and start holding hands and working in this more cohesive fashion.

To this third complaint I offer this question: Why not embrace heterogeneity? Why not accept conflict within philanthropy as a potential source of breakthroughs, of innovation, of learning? Cohesion, I think, is oversold, and I think Joel might have gone a little bit too far in arguing for a soft, friendly, warm, cohesive culture in philanthropy. Lewis Coser and other great sociologists have documented pretty well that conflict is a powerful engine for change, innovation, and learning. I'm not sold on this cohesion concern, which permeates three of the seven challenges.

So after reading the book I asked myself, what is Joel Orosz' vision of the foundation workplace? And I sketched out a vision statement, and I hope you'll go with it.

JOEL OROSZ: You could have saved me the trouble of writing the book! (Laughter.)

PETER FRUMKIN: This is Joel's foundation world: Foundations are run by a homogeneous group of pale, handbook-toting staff who wear Coke-bottle glasses because they study hours and hours about philanthropy and the data. These are very serious people.

JOEL OROSZ: So far, it's a very good description of *me*, I would say. (Laughter.)

PETER FRUMKIN: All right, part two. These lonely souls in foundations have all come to similar conclusions about the nature and purpose of philanthropy. Together they sit in foundation offices holding hands and staring out the windows at the world. And you know what? They worry about the complexity of the world they see. They worry about it. They're nervous about the power they wield. These professional grantmakers are continuously seeking outside validation and authorization because they are wracked with anguish about the difficulty of their work and the power asymmetry in philanthropy. They stare at the ceiling deep, deep into the night, Joel, and they worry about these seven challenges and these seven dilemmas in philanthropy, because they are very serious people. Philanthropy is a serious business.

On days when these people can get out of bed – it’s hard! – these Stepford philanthropoids (laughter) fear deviating from best practices. They spend their times trying to read the minds of boards so that there is massive cohesion within foundations. They generally seek to operate well within the bounds of well-researched and accepted doctrine and essentially toe the line. In this world, grantmakers don’t have very much fun. Why don’t they have fun? Because they are professionals, and because the work of philanthropy is serious business.

I have an alternative vision. I have a dream about what the foundation world will look like, and it’s not normalized, it’s not serious, it’s not cohesive, and it’s not all of this responsible stuff that Joel is advocating. I would like to see a foundation world that is a little less systematic, and more spontaneous, more opportunistic, more fun-loving, and generally less constrained by convention, dominant practices, and professional dogma. In the foundation world I am envisioning, ideas and policies are actively debated within foundations because there is tremendous heterogeneity of opinion. Differences in politics and worldview are translated into competing strategies, and they are tested in the real world. Foundation staff are competing within the walls of the foundation to see who has the best idea. It is a culture in which people are constantly trying to invent new models and reject accepted doctrine. They’re not trying to implement the best practices they’ve studied dutifully. They’re trying to find ways to trump them, to find new solutions and to even challenge accepted doctrine.

I’d like to see a foundation world where people from different disciplines and backgrounds bring to the work of foundations brand new theories of change, brand new approaches to grantmaking. And most importantly, I’d like to see philanthropy be more fun. Joel, you don’t make grantmaking sound very fun in this book, and I’m a little bit concerned about that. It’s very fun; I’ve done it. It’s a fabulously fun job.

So, summing up: Joel, I think you need to loosen your tie a little bit, lighten up a little bit in your dedication to professionalism, and let people enjoy philanthropy a little bit. I think we’re too early in the stage to lock down this field. And I feel there is too much in this book that points towards professional lockdown, that there are these truths and we’re going to teach them and bring this field into alignment. I just think it’s way too early. I think philanthropy should really be centered on the dreams and aspirations of donors, where people are using philanthropy to enact visions of the common good, and where staff see themselves as part of this process, assisting in this process of exploration.

And the final thing I would say is, the one thing I really found troubling is that you kind of assume the foundation. You never challenge the foundation as a kind of entity. I think we should have a conversation about whether or not having philanthropy, huge amounts of philanthropy, pushed into perpetually managed, professionally governed foundations is really the best future for the broader field of philanthropy, or whether or not we want a more donor-centered, more current-use philanthropy. I’d like to have a conversation about whether or not we should just assume the foundation and then wonder how to govern it better. I think we should have a conversation about both. Is that really the future of philanthropy, the future we all want to envision for this field?

These small, little objections (laughter) aside, I really enjoyed the book. (Laughter.)

WILLIAM SCHAMBRA: Joel, would you like to take a shot at answering any of those questions before we –

JOEL OROSZ: I certainly would!

WILLIAM SCHAMBRA: I thought you might!

JOEL OROSZ: First of all, it's kind of sad to see that Peter, in his declining years as an academic (laughter), has kind of lost his critical touch. (Laughter.) I was expecting a much tougher response!

Peter has brought out a lot of really interesting points, I think, and done it with his usual panache, the theatrical style. One of the things that I think is really important to discuss is the criticism Peter has brought out that says, essentially, if you start educating people about philanthropy, it's the first step down a sort of grim, totalitarian path where there will be these rigid rules established and people will begin to lose freedom to operate, lose the ability to innovate, because rules will be put in place, laws will be established, and so forth. I have a very different vision than that. I think we can find ways to basically capitalize on what we've learned in the past, not have to reinvent the wheel every time we start, and take the best from what we've learned and apply it to the future. Guidelines, if you will. There's that wonderful line from the first *Pirates of the Caribbean* movie – it's not the pirate's code, it's "more like guidelines, actually." (Laughter.) I think we could do that without becoming tremendously rigid.

The other thing that Peter mentioned I think really bares some very critical views. Peter, you're talking about allowing more space, loosening the tie, breathing a bit. It kind of reminds me of what George Bernard Shaw said about Christianity; someone asked him what he thought of Christianity, and he responded that it had never been tried. (Laughter.) I think we have given a lot of lip service in the foundation field to the great freedom that this field has. The assumption has always been, the more freedom we have, the more creativity we'll see, risk-taking will flourish, and we'll be able to think out of the box or get out of the box entirely. What I'm seeing, though, is that all this freedom isn't leading to that. All this freedom is leading to butt-covering and risk aversion and the same old same old. I don't see us getting better. I don't see people taking big risks. I don't see huge innovations coming out of the field. I just see people essentially being lazy. Whenever someone suggests tighter strategy, the response is, you're impinging on our freedom, here. We need to be ready to leap on the next big thing. It just does not seem to happen.

My last point about Peter's critique is about this view I supposedly have of people being just terribly serious in philanthropy, weighted down with the cares of the world and not having any fun. Peter, I've got to thank you because in every organization I've been in people have considered me a smart ass. (Laughter.) It's the first time this has ever happened!

PETER FRUMKIN: I think you were overcompensating. (Laughter.)

JOEL OROSZ: I think that philanthropy is and can be tremendous fun. It's a matter, though, of having some discipline to go with it; some sense of what is good practice and isn't; how to treat people out there, applicants and grantees, and how not to treat them. And again, I think you can do that without becoming overly crushed by the weight of rules and laws.

I have one more quick thing before turning it over, regarding Phil's point about strategy. Phil, you're probably right. I probably did go a little overboard in the book, talking about the downside of strategy. In a sense, I think I was trying to get the attention of folks who are sort of uncritically saying, oh, you can become highly strategic without any kind of cost. And it also profoundly irritates me when foundation CEOs talk about focusing "like a laser," strategy, strategy, strategy. And then, they're like a six-year-old kid with ADD – "oh, a puppy!" (Laughter.) When something exciting comes along, they jump on it and fund it, veering off strategy. And then, when something comes along that they feel is not so exciting, they say, "Oh, no – we are tight on our strategy here." To the world outside, it's just madness-inducing to see these folks speaking so solemnly about strategy one way and then veering off the next day to do something they find interesting.

WILLIAM SCHAMBRA: Phil (Buchanan), I'd like to bring you in. Let me ask you this question. Tell me, who seeks out your services? It seems to me that a foundation coming to you, asking for your services, must have a sense that this lack of discipline, this lack of professionalism in the field is a problem, and is trying to move toward a more tightly disciplined, more measurable, and more predictable kind of field. Is that an accurate assessment? In other words, are these folks who would agree with Joel's assessment of the field and his solution?

PHIL BUCHANAN: It's really a wide range. Some are quite oriented toward being strategic and assessing, and some are not at all but want to know, if they're taking more of a "charitable banker" approach of just getting money out the door, they still want to know how the grantees are experiencing it, or whether the board can function better. So there's a wide range. Now, obviously we try to move people along a continuum, but not really by proselytizing. We provide them with information which inevitably reveals that your grantees actually do want to know what your goals are, and your strategies, and how you think you can achieve them; that your board typically wants to know.

It's not about fun, right? Foundation CEOs having fun, or other foundation executives having fun – there was that series in *The Boston Globe* a couple of years ago about that.* And what I think is satisfying to most people – thoughtful people who work in this field or are donors – is making a difference and seeing that they have made as much of a difference as they think they possibly could. Yes, they have fun along the way, but it's a different kind of fun; it's not yacht fun. And it's not that they didn't make mistakes, but if they made mistakes, they learned from them and they stopped funding what wasn't working.

If I could also just say something about Peter's caricature of Joel's book, which I think is what it was – and maybe that's what it was intended to be. I think that in fact what we're talking about here is pretty important. It's like, if D.A.R.E. doesn't work, stop funding it. (In 2003, research

* A series of occasional articles about corruption in philanthropy, entitled *Charity Begins At Home*, ran in *The Boston Globe* from October 9 to December 29, 2003.

suggested that D.A.R.E. – the federally-funded Drug Abuse Resistance Education program founded in 1983 and still in schools – is ineffective at best, and sometimes counterproductive in some populations.) There are countless examples of foundations funding things that have been proven not to work because they didn't access the data. And I think that most people, once they start thinking about this stuff, actually want to know that what they're doing is likely to work; they want to know what the people with whom they work think of them so that they can improve. They're in this work for a reason. And I don't think there is a tension between – I mean, I talked about fun, or one kind of fun, but in fact it is fun to know that you're doing the best possible job that you can. That requires some level of organization and, yes, coherence to what you're doing.

Just to take issue with one particular piece of the caricature: I don't think there is anything in Joel's book that could possibly be read as an argument for – and now, by the way, I am taking the bullet (laughter) – homogeneity. With respect to the ideological issues between board and staff that Joel was describing, I think he was describing a dysfunctional dynamic in which those differences are never surfaced in a productive conflict, but rather that people are sneaking around each other and not having the conversations about their ideological differences. So I just read it very differently, and I wanted to make that point because I'm sure not everybody in the audience has read the book.

PETER FRUMKIN: There are so many things to address here!

By “fun,” I mean the fun of exploration, not the yacht fun. I mean the fun of discovery, invention, of translating one's vision and values into strategy and results. That's the fun I'm talking about. And satisfying philanthropy – let's call it that – does not often derive from simply applying a playbook. Right? It may be efficient to apply a playbook and not to reinvent the wheel, but a big part of what's valuable in philanthropy is that search for the nexus between one's values and the world one wants to enact. And you don't want to short circuit that. I don't want to see that short circuited.

But this gets back to one thing you didn't address fully, Joel, which is this question of why we want so much of philanthropy enacted through professionally managed foundations. Why do we want to accept that as the dominant model? If we're interested in the things that I think all three of us are – innovation, risk-taking, all this stuff – do we really believe that that is the ideal institutional auspice for philanthropy? It's not clear to me that that's the case. And I would just like to see more of that in the book.

When it comes to homogeneity, I disagree with you, Phil (Buchanan). You're right that he wants cohesion. But at the bottom, there is a lot of stuff in both this book and the first book by Joel, *The Insider's Guide to Grantmaking* – and that's not a harsh critique, by the way – that shows that Joel wants a certain base of best practices, a certain convergence. He does! He's an organizer; he wants to clean up, to tighten this thing up. It goes deeper than that, Phil. Yes, of course Joel wants diverse staff with diverse views, but he also wants a certain amount of cleanliness in the field, and I'm trying to tell him – and I'm being serious – that it's way too early to clean up this

field. I wrote a large book on philanthropy.* Do I think that's the final word? No! I hope it's an opening gambit that people are going to build on. I think we're still very early in this whole process, and so that's why I resist this idea of normalizing, converging, and locking down the field. I think it's just way too early.

It's hard to say what the learning curve looks like in a field, but my guess is that we're still very early on that learning curve. We're not approaching the top where we can then lock it in and bring everyone else who is underperforming up to the top. I don't think that's the case at all. And so that's why I resist this in some respects. I think there are many good ideas in the second half of the book, about practices. I don't want to quarrel about that. But I stand by my concern that the knowledge base is not big enough to say that there is a codified set of practices that should be pushed out into the field. I also stand by the concern that we need to problematize this question of the foundation as the main instrument of philanthropic action, because it may be that if we want the things that we want out of philanthropy, we may want more donor-driven, individual philanthropy and less institutional philanthropy. I've made that argument in other places, as you know.

WILLIAM SCHAMBRA: Peter, let me ask you this. You've returned a number of times to this notion of "too early." And yet as Joel points out, the field is at least one hundred years old in its institutional form, the form we have today. We've had this conversation a number of times. As you know, in the beginning, with the Rockefeller and Carnegie and Russell Sage foundations, there was a certain aspiration, captured I think well in Joel's account of where we should be headed, namely that philanthropy is distinguished from charity by a certain kind of scientific focus on the problems of society as understood by the – then – new social sciences. A number of social sciences were born at the time, including Peter's (sociology), in its formal, professional form, and one can say they've moved quite a ways. They have their own journals. They have departments in universities. Public administration was born at the same time and of the same impulse – organized knowledge on behalf of the public good. You don't hear any of them saying, oh, no, no, it's too early to hold public administration accountable for an organized, coherent approach to the public good. Peter, your field doesn't say, oh, no, we can't have a journal because we –

PETER FRUMKIN: Yes, but sociology leaves the world untouched. It's a different thing than you're saying. Academic disciplines and even some other professions have exerted control over – and what is a profession? It's a group of people who have exerted control over a field of expert knowledge. And there are fields where that has happened, some would argue – law and medicine, for example. These are fields where there is a codified group of people who are holding onto knowledge. They have barriers to entry. They won't let anyone practice law or medicine. And I just don't think we're anywhere near that stage where we want to say, there's a certain set of things you have to know, and you have to be certified before we let you do grantmaking.

JOEL OROSZ: Oh, did I say this?

* *Strategic Giving: The Art and Science of Philanthropy* (University of Chicago Press, 2006). This book was the subject of a Bradley Center panel discussion on October 19, 2006, a transcript of which can be found online at: http://www.hudson.org/index.cfm?fuseaction=publication_details&id=4263&pubType=HI_Speeches

PETER FRUMKIN: No, no, that's not what I'm saying.

JOEL OROSZ: I thought I was losing my mind, there, for a moment. (Laughter and cross talk.)

PHIL BUCHANAN: There's a big difference.

PETER FRUMKIN: But a profession, a real profession, if we take this to the full conclusion – and I'm not saying you're arguing this, Joel, because you're an incrementalist and you want to argue for improvement over time towards this profession – a real profession is about controlling expert knowledge and setting up barriers. That's what lawyers, engineers, and doctors do, right? I'm not sure we want to have a philanthropic profession that has barriers and expert knowledge that is only available to a certain group of people before they can actually practice. That worries me.

WILLIAM SCHAMBRA: But at least, Peter, if I may, it seems to me that Joel and Phil's understanding about what philanthropy is about is consistent with the original enunciation of a vision of what they should be driving toward. And to me it's remarkable that we read a hundred years later an account of the field that shows so little progress. We have Phil telling us that we need data. This is a hundred years after we first realized that we need data! And yet Phil is able to say it again. And people can nod and say, that's a good idea. (Laughter.)

Doesn't that suggest, in a way, that we have a fundamental misunderstanding of what we're about here, if this is prevailing? Peter, you seem not to be willing to take on that fundamental – you seem to say, give us more time.

PETER FRUMKIN: The right analogy is not sociology or law or medicine. The right analogy, I think, is government. Do we have a set of absolute, ironclad decisions about how to govern ourselves? Do we have a model for statecraft that everyone – no, we don't.

PHIL BUCHANAN: But nobody's advocating for that.

PETER FRUMKIN: But the question is, are we moving – are we in a position where we believe we have a lot of answers? In philanthropy and in many ways in government, I think we're in a field where there is just so much that's up for grabs, so much that is contested. Now you can do – and professional associations of public administration do this – they talk about process stuff, how to do this sort of work in a *process* way. I don't really have any objections to that. But it's this bigger question about whether or not we have expert knowledge over the substantive things – that's where I have my doubts.

PHIL BUCHANAN: Can I just get in here and say that I don't want to speak for Joel, but I know that I'm not arguing for some reification of what we know today or some kind of barrier that would be erected and prevent people from getting into the field. What I'm arguing for is making decisions that are based on data and learning from the practices of others what has worked and what has failed. This isn't a radical idea. This is common sense. This is what children do when they're learning what to do on the playground. This is really, really, I think, an exaggeration.

And Peter, you're arguing against a phantom, essentially, because I don't think anyone is really proposing the kind of regime that you fear. And so if our goal is – and I don't know if this is our shared goal – that organized philanthropy creates the maximum possible positive impact relative to the resources that go out the door, then surely we want to be looking to others and learning from others about what has worked and what has not worked as we do that. I think that is just common sense. I don't think it's a radical proposition at all. And it certainly isn't the kind of Darth Vader-like landscape (laughter) that you're laying out.

PETER FRUMKIN: That's a caricature. I'm not against learning. Why do you think I'm a scholar? Why do you think I write books? I believe that learning is valuable and important. So that is an inaccurate caricature. What I'm suggesting, though, is, we are talking in kind of ideal types of a field, here – one is a professional vision of the field and one is kind of resistant to that or ambivalent about it. That's what we're talking about. We're not talking about being against data. We use data all the time; data's terrific. But the question is, how are you using it? Are you using it just simply to enact accepted practice, dogma? No! Obviously, you're going to use it in a critical way. But we're not talking about data. I think we're talking about this question of how far along this field is towards a real profession? Because Joel has a vision of the field which, I think, is that he'd like it to move towards more of a profession. He'd like it to get more serious. He'd like it to be more codified. And my position is, simply, that I think that's possible, but it's way too early. And I think there's something valuable in this chaos that we have right now. It may be untidy. Is it inefficient? Yes! There is a lot of money that doesn't get spent well. That's true. But I don't think efficiency is absolutely the final word.

PHIL BUCHANAN: I didn't even use that word.

PETER FRUMKIN: No – I know. But hold on a second. I just don't think it is the final word. There are people who think, we've got to get the most out of this money. No, you have to have a field where people are using their philanthropy to do what matters to them, enact their values, and explore new things. So there is going to be a lot of duplication and a lot of mistakes, and I'm willing to live with that.

JOEL OROSZ: The thing is, even if we come up with some basic standards of good practice, people will be free to live up to those or to utterly ignore them. I'm certainly not suggesting that we need to codify the field and say that everyone must do this. But I do think we need to say, here's what good practice looks like. It'd be nice if you followed it. If we just got more foundations doing long-term support with fewer strings attached, we know that there would be a heck of a lot better practice out there. If we got more foundations doing strategies. And those are two different ways of doing things, but both work.

I don't want to caricature your position too much, Peter. Maybe just a little. (Laughter.) But it reminds me very much of Pat Paulsen's position on Vietnam when he was running. He said, some people say we should escalate and that's clearly wrong, and some people say that we should precipitantly withdraw, and that's wrong. His position was to "keep messing around like we have been." (Laughter.)

WILLIAM SCHAMBRA: Yes, let's get some questions from the audience, here.

AMY KASS, Hudson Institute: This is just a very quick follow up to Bill's question about "early" – and it's for you, Peter. You use the word "early" over and over and over again, even more than you accuse Joel of using the word "cohesion." (Laughter.) You never really say whether "early" is just a euphemism for "never." Do you anticipate a time when philanthropy should become a profession? By the way, government is a bad example of what you have in mind because government of course runs by rules and patterns. We have a Constitution.

PETER FRUMKIN: But we don't have accepted dogma about how to implement social programs.

AMY KASS: We don't have accepted dogma in medicine or law, either. We have laws; we have ways; there are professional standards. There is a body of knowledge. Are you resisting all of that?

The major point I want to make is, what do you mean by "early"? Is it never, or are you looking to some time in the future where there will be some kind of model?

WILLIAM SCHAMBRA: And by "never," Peter, I think in a way what both of us are wondering us, are you suggesting –

PETER FRUMKIN: Hey, this panel is about *Joel!* (Laughter.)

WILLIAM SCHAMBRA: That's right – I'm sorry! We didn't give Joel the first question. Come on, Peter, you can't complain about always getting the first question. (Laughter.)

But anyway, the question is, are you just saying, yes, Joel's right about the vision that he has, and Phil, or are you saying, no, by "too early" I mean really there's another vision all together of philanthropy, and there is something else going on here that we need to turn to, something that would say to Joel and to Phil, there is a whole different way of understanding philanthropy. I guess that's what's frustrating about "early."

PETER FRUMKIN: I think that's a reasonable question. I'm not sure I want to answer it directly, because I don't really know. I'd have to see what the codified (inaudible) looks like before I could say whether or not I like it. All I can say is that right now we have process ideas about how to do philanthropy, which are okay but I just don't think they're very far evolved. I think the strategy stuff and the process stuff are still emerging.

I don't want to go too much into this, but it goes right back to something I said that I don't think either one of you has really taken up, which is this question of why we should assume the foundation as the primary instrument of philanthropic action. A lot of these issues would go away if we talked about a vision of philanthropy and a tax code, maybe, that doesn't drive so much wealth into big foundations but instead encourages giving by donors during their lifetime, for example.

So rather than saying, never, never, I would prefer to say, maybe, but in the meantime why can't we have a philanthropy that's more individual-driven, and not have so much wealth – hundreds of billions of dollars – flowing into perpetually managed, private foundations. I'd like to have more diversity of auspice for philanthropy and reserve judgment about when we are ready to say, we know this field and we're ready to lock it down. I just can't give you that answer because I don't know what that thing is, out there. What I do know is that there is a lot of fumbling around, now, searching for certainty in this field, and I just think we need a lot more of that before we get to the point where we are.

So, no answer. (Laughter.)

PHIL BUCHANAN: I think the implication is somehow that the question is being ducked about whether organized philanthropy is necessarily the right vehicle. I run an organization that was created in 2001 because there are a lot of foundations that have a lot of resources and are making grants every day, and our mission is to help them to be more effective. I don't view it as my job – I'm not a tenured faculty member – to think about, well, might there be another way, and should we reform the tax code. The fact is, these institutions exist; they're working every day; and I think it's in our interest as a society to have them work as effectively as possible and make a difference in real people's lives that is positive. That's the motivation to pay attention to these organizations. I think it is a good thing that more foundations are discussing their life span as a question of strategy rather than just assuming the default position of existing in perpetuity, which I think far too many of them have, without asking, does it make sense, if we're concerned about global warming and think it's an imminent threat, to manage ourselves to exist in perpetuity? There's a disconnect there. So I think that's a good thing, but I'm not addressing your question because this is not what I do. These institutions exist, and I think there's an argument that some of them have exercised the freedoms that they enjoy to bring attention to issues that political actors won't address or that business can't address in ways that are beneficial and have created real impact, and I think it would be great if many more of them did as they have done. Whether it's the ideal structure, I have no idea.

WILLIAM SCHAMBRA: Joel, did you want to get in on this question?

JOEL OROSZ: Only to say that I think that the great thing about philanthropy is that there are so many different forms it can take and so many different ways we can express it. So I would be very happy to see more donor-directed giving and that sort of approach. But like Phil, I think we are in a world in which these foundations are preexisting; we know that more are going to be coming onboard; and I just think that we can get a heck of a lot more out of them than we have in the past, and we need to be paying attention to that.

ALAN ABRAMSON: One of the issues that the panelists commented on was the freedom that foundations have, and at least Joel suggests that they're really not doing very much with that freedom, and I'm not sure if (inaudible), or (inaudible). But – here's a practical question – suppose we just stipulate that maximum foundation freedom is a great thing, and we stipulate that foundations haven't done a heck of a lot with that freedom, that they're not really as innovative as they might be. The practical question is, so what would you do? How would you give foundations more backbone? Is there some pill that people might have taken in their youth,

or another doodad, or some class that they should have – how would you give foundations the greater tolerance for risk that, let’s say, you stipulate they don’t have?

WILLIAM SCHAMBRA: If I could just sort of elaborate on that, it’s a tough question. You read the book, and it’s extremely honest about these tensions, and anyone who has worked for a foundation has to be struck by the fact (a) that these problems exist, and (b) that no one talks about them. That’s absolutely true. For instance, my favorite one is the sort of ideological divide between a board which tends to be conservative, not only politically but behaviorally, averse to risk, and a staff that is probably activist and much more liberal, both politically and behaviorally. And yet people don’t talk about that internal problem at all. It’s extraordinary that we’ve arrived at this point, 100 or 140 years later, and no one has really discussed this problem, and yet surely it has been there.

Alan’s question is, well, how on Earth then do we – I mean, it’s not something that can be solved by data or a greater accumulation of scientific evidence. Something else is needed. What is that?

JOEL OROSZ: Well, leadership. We have seen it in foundations on both sides of the political spectrum in the past. Think of Paul Ylvisaker and the work he did at the Ford Foundation that became very controversial. Think of the work that has been done on the conservative side, particularly around public policy and changing public policy. Very controversial. Folks who have done it have become lightning rods, in many ways. But it’s that kind of leadership that actually changes things. Whether it changes things for good or for ill is a question we can discuss later, but it changes things. And I have been in so many conversations over the years in which it skirts right up to the edge of something significant, and there’s not the leadership there to do it. Oh, the board will go ballistic, they say. Or the *Chronicle of Philanthropy* will be on us like a duck on a June bug, to use a good Michigan expression. People are afraid of controversy. They’re afraid of bad press, or of embarrassing someone. And they just pull back.

I can say it now because I no longer work there, but when I worked at the Kellogg Foundation, there was a mortal fear of doing something that would harm the company, of doing something so controversial that it would cause a boycott. And on a couple of occasions, it occurred. One was, we were doing work on nursing and trying to change licensing in nursing, and a bunch of nurses got together in Pennsylvania and boycotted Kellogg products. And with that, they whole thing just collapsed. That was a fight that we weren’t willing to fight.

So, leadership, and guts, and the willingness to get up in the morning and see yourself attacked.

ALAN ABRAMSON: You also had – I think it was you, Joel, who called for skunk works or something like that.

JOEL OROSZ: Yes. Yes. Well, you know, since creativity doesn’t seem to flow out of the daily operations of foundations, maybe it would be interesting if you actually gave a group permission to think and be creative.* At least give it a try.

* See also Bill Schambra’s September 14, 2006 opinion piece in *The Chronicle of Philanthropy*, entitled “How to Make a Big Foundation Effective,” on the Chronicle’s web site, www.philanthropy.com. It can also be accessed on

PHIL BUCHANAN: I do think that there are a number of foundations that have gotten, and some that are in the process of trying to really get more clear about how they're going to achieve impact. Some have done it in impressive ways. And I think that if you are motivated by wanting to create the maximum possible impact, and you want to have some sense of what that impact was, you end up moving toward being more focused rather than less. And I think that it's important to acknowledge, and this is something that I don't necessary relish being in the transcript of this event, but it's probably so far along that nobody will read it (laughter), to acknowledge the forces that push in the opposite direction. And there are so many!

So why is it that the median grant size at 142 large foundations is \$50,000? Why is it that the median grant size as reported by *The New York Times* – not from our data – at the Ford Foundation was \$118,000? Some of those grants, I'm sure, achieved great impact. Small grants can achieve great impact – given. However, if we're trying to create the maximum possible impact with this institution, given the transaction costs on both sides – on the nonprofit and foundation sides – involved in many small grants, what's going on here? Well, I think that there is sometimes a tension between the desire that I think most people have who work in foundations to create as much good as they can and the kind of professional self-interest. To make fewer, larger grants is to have fewer anecdotes from which I can pull a success story. It is to say “no” more often. It is to walk into the reception and have fewer people rushing to talk to me.

Whatever you may think about what the Edna McConnell Clark Foundation is doing, and I think it's very interesting what they've done, you can't argue with this: Nancy Roob, CEO of the foundation, can be judged in terms of her performance in a way that a lot of her peers cannot, because they've been so clear about what they're trying to achieve; they have such a small number of grantees; and they're making big bets on them around fairly specific indicators of success. And so the risk to her as she walks into the assessment with her board, which presumably happens, is different than at a foundation where if the board wanted to make the argument for or against effectiveness, it would be really hard to do.

So there's this tension there, and everybody in our research on strategy who met our definition of being quite strategic described a process of getting there that was really, really painful, and described saying “no” frequently to things they found personally appealing. Those who were less strategic could come up with very few examples of saying “no,” because it's hard to do.

PETER FRUMKIN: I would just add that one reasonable hypothesis about why there are so many small grants at big foundations is that they are overstaffed. They have a lot of program officers who have to keep busy. If they make one or two huge grants, that does not fill an agenda. There aren't any site visits to do. There aren't any reports to read. There are no dockets to write up. There's no work to be done. The same thing with general operating versus project support. If you make general operating grants, you have less ability to do this intensive follow-up fieldwork and assessment of net impact or project success. The professionalization movement, to the extent that there is one, has led to greater staffing levels at the big foundations, which I think has led to smaller grants – because you have to keep your staff members busy. If you have 150 staff people

at a foundation, and there are foundations of equal size that have 250 staff people and foundations that have 40, I bet – I don't know the data, but I bet if you looked at the foundation with 40 staff members, they'd be making fewer, bigger grants than the one with 250. There's a data project we could talk about together – to show that heightened levels of staffing lead to smaller average grant size. I bet it's true.

So back to my concern, my so-called concern, about excessive professionalization, excessive staffing in this case. It can have a negative affect on strategy.

PABLO EISENBERG: Bill (Schambra), I would suggest that in the future you have a session on the importance of small grants and general operating support, because they can't be dismissed so off-handedly as a couple of the panelists have done.

But my comment is that the discussion has revolved around issues of structure, process, and good practices, and until Alan's question just now two issues that I think are crucial to philanthropy have been somewhat neglected. The first issue is quality of foundation folks and leadership. How do we get over the appointing of second-rate academics, washed over former presidents of colleges and deans of various bodies, to choose really risk-taking, innovative folks and to encourage good young program officers to stay in the field? I don't know what the answer is, but there is a challenge: how do you improve the quality? Unless you deal with the quality issue, you're not going to deal with the major problems.

The second issue, it seems to me, revolves around some of the issues of governance. No one has tackled that. On the one hand, Joel would like to see more cohesion. The problem is, in almost every foundation you have too much cohesion. You have folks who represent the wealthy and folks who represent highly paid professionals. You don't have the issues of class appearing, and you don't have the issues of temperament – people who are really willing to push the edges. On the other hand, Peter wants innovation and risk-taking, but with the current profile you're not going to get that from these cohesive, upper class foundation boards. The question is, how do you deal with that? Are there ways to overcome that, to get less cohesion, more risk-taking, and different perspectives in foundations?

The issues of leadership and governance are important and can't be neglected. But they're the hardest ones to tackle.

PHIL BUCHANAN: A couple of quick thoughts. First of all, I want to be clear on the small grant issue. Small grants and operating support are I think two different issues. The analysis we've done on the grantee perspective suggests that operating support can be really, really important if it comes in larger and longer term forms than it typically does. That's pretty clear from our analysis of the grantee perspective – that too often it's too small for it to make much of a difference. But I certainly think that operating support can be really important when it's done right, and I want to be clear on that.

In terms of the quality of people, my quick thought is that until boards appoint CEOs from within and more people see the career path that Jim Canales (Irvine Foundation) or Carol Larson (Packard Foundation) or Nancy Roob took, there isn't going to be the same incentive to stay in

the field and think that that's possible. That seems to me the obvious answer. I don't know how you educate boards, but I do think that we have some interesting case studies in progress right now, and hopefully they'll be able to demonstrate the wisdom of those choices.

In terms of the board governance issues, I just want to say that we've done a lot of research on governance, and one of the things that comes through really clearly is that to board members, respectful conflict is crucial to their perception of the board's effectiveness, both with each other and with the staff. As for diversity, if you look at racial diversity, which we did, you really only get the most out of the diversity in a boardroom when you get beyond tokenism and have a critical mass of people of color, and I think this would hold for other attributes. When we looked at that issue, what we saw was that those board members who were members of racial minorities who were one of only one or two – and it was an absolute number issue, not a proportionality issue – tended to rate basically the equality of opportunity to influence discussions and participate systematically lower than did other board members. When there was a critical mass of three or more, their ratings were exactly the same; there was no difference in perceptions of board dynamics between the white board members and people of color. And I think there's a lot more to be done there. If you look at the board composition in terms of racial diversity at large foundations, it's a pretty sobering picture, and I'm sure on other aspects of diversity as well.

PETER FRUMKIN: Can I just speak to the question of leadership? I'm not sold on this model of internal career paths in philanthropy, for all of the reasons we've talked about. It's insular; it doesn't bring change to an organization. But on the other hand, I'm not entirely sold on this idea of the retired college professor taking over a foundation, the well-rounded generalist, the government official. I think we need to have new models for leadership. The old model was the college president; that was the dominant model. Then I think it mutated over time to the idea of the nonprofit executive director who does a great job with a nonprofit and then goes into grantmaking. There are a lot of those. And more recently I think we're starting to see – with the Ford Foundation appointment in particular – a different model, which is, what if we go totally outside the field to someone who has never been in a nonprofit, never been on the board of a big foundation, someone who is outside the field?

I think we're still – back to your question – we're still trying to figure out what the right pool from which to pull people is. We're experimenting with these different models. We've gotten away from the college president, largely. We're moving towards this new model. I don't know what the right answer is. But one of the reasons I'm very suspicious of the internal promotion model, to get into this a little bit, is, what's the basis of internal promotion in philanthropy? Performance measurement is weak. It's hard to do well. We all know that and I won't go into it. So what does it take to move up in philanthropy? It often takes something other than proven results, because proven results are very hard to demonstrate. It takes, often, terrific internal organizational skills. It takes terrific relationships with the board. It takes a lot of things that are okay, but they're not things that are really going to drive effective, interesting philanthropy. So I'm ambivalent about this idea of an internal career ladder. I think we need a new model. I don't know what it is, but we need a new model.

WILLIAM SCHAMBRA: Joel, applying Pablo's question to your earlier response about leadership, one would not review Paul Ylvisaker's career and expect many people to be anxious

to follow that path, necessarily. In retrospect we honor him as an innovator and a hero, but at the time, of course, this was a very painful life for him, and indeed he ended up not staying in philanthropy, and at the time it was a very controversial situation – because of the board. You push the leadership question back to someone like Paul Ylvisaker, but then you have to expect a board to actually want someone like Paul Ylvisaker to run a program. They didn't want him at Ford, not for very long. So we go back to the board, and so – well, Joel, they should read your book –

JOEL OROSZ: That's a given!

WILLIAM SCHAMBRA: Absolutely! But what else can we do, following your argument, to affect the board? And you see why, then, I guess, we have AB 624 in California. Here's a thought; let's make it mandatory that we have a diverse board! Not a popular alternative, but still an alternative.

JOEL OROSZ: Right. Well, I think it all goes back to the board to set a tone, and boards have not done a very good job. At the Kellogg Foundation, youth has always been Kellogg's big emphasis. And I was funding a bunch of things: youth advisory committees; community foundations where young people gave away money, were the grantmakers; Youth On Board, which tried to get young people as board members. The time I got slapped the hardest at the foundation was the time I proposed to the board of trustees sort of spontaneously at a board meeting that we might want to bring young people onto our board. If I had said that we might want to consider a Roman orgy in the boardroom, I don't think I would have shocked people any more. The responses ranged from, well, you can't expect a young person to devote the time or have the experience to the thought that, well, gee, what would they say? What would they do? How would they react with us? It would destroy the culture of the board!

I think that is the hard thing – the ability, as Peter was talking about, to bring a lot of voices in that are different, and have the structured conflict, the different points of view bumping into each other constructively. It's hard. Boards tend to shy away from it. They tend to want to – well, the first thing most boards look at when they're looking at a new member is, would I like that person? Would I feel comfortable with that person?

PETER FRUMKIN: That metric doesn't just hold in the realm of boards, it holds in the realm of staff. More important than performance, in terms of success in philanthropy, is likeability, because the performance metrics are so weak that if you've got great interpersonal skills, you've got a future in philanthropy! (Laughter.) You do!

JOEL OROSZ: It's true! And you know, that's not entirely bad. One of the things I've tried to figure out for years is how you hire good program officers, and about the only thing I can really say for sure is that someone with good emotional intelligence generally makes a pretty good program officer. Some of the people I saw flame out most spectacularly were some of the smartest people, but they just could not work with applicants and grantees in a respectful and effective way, particularly when they demonstrated to executive staff and board members that they were just a little bit smarter than the board member. (Laughter.) It did not go well.

ROBERT MALONE, M&T Bank and Prince George's Child Resource Center: I'm at M&T Bank, and I also run a small nonprofit in Prince George's County. In my job at the bank, I provide financial services to nonprofit organizations. All of my clients are larger nonprofits with budgets over \$5 million. I had a conversation with a program officer at a funder in the area about a year and a half ago. And what I've noticed in terms of working with a lot of these nonprofits is, some of them do really great work for a small area. But if you look around let's just say greater Washington, you have to ask the question, is greater Washington getting better or worse? And the sentiment is, it's getting worse. But all of this money is coming out here.

My question, really a question for Phil (Buchanan), is, it seems to me that foundations would want to find organizations that can sort of transform culture, that can bring communities together in such a way that the community is actually transforming itself. In terms of metrics, you didn't mention a specific sort of idea or metric, but when you talk about giving a foundation metrics to use for itself, can you share one or two that you think are really good or noteworthy, or that you see other organizations using throughout the country? Because normally, it would seem to me – I just assumed when you said it that foundations would use the metrics of the organizations they're providing grants to. Are you suggesting that they actually have their own targets for reducing the number of people who are homeless in the District of Columbia, for example? Give me an example of what you're talking about.

PHIL BUCHANAN: Well, I think it really depends on how the foundation defines its goals. There are foundations that define their goals in a more limited way in terms of, we are trying – well, for example, a community foundation we worked with recently is *not* trying to define outcomes within the community, but rather saying, basically, we support organizations that meet certain criteria for being effectively run and that work in these fields, and then we provide various kinds of assistance beyond the grant check to help them to be stronger organizations. So, basically, their goal as they define it is about strengthening the organizations. And in that case I would argue that the best metric that they can have is our tool, actually, which is a survey. Did you do it? we ask.

That's very different from how the Bill & Melinda Gates Foundation might define its goals, which are about outcomes. The organizations they fund are a means to the end of achieving those outcomes. And then, the metrics might have to do with instances of disease, if you're looking at global health, or they might have to do with graduation rates, if you're looking at their education program. And the challenge, of course, I think in terms of assessment – and I'll keep this brief because we could spend two hours on this topic – is that you can define what those end measures look like, but the needle moves slowly on some of these, so what are the kind of leading indicators that you can hypothesize might be connected, and how do you track progress against that?

And then just a final, quick point: It's important to keep in perspective, here, and I think foundations often lose sight of this, what a small proportion of the funding of nonprofits foundation funding is. It's 12 or 13 percent of contributed revenues, and 2 percent of overall revenues. And then, they also have to realize what a small number, really, total philanthropy is in the United States relative to government spending. One of the particularly challenging questions, when we look at the health of communities, that really needs to be grappled with and is, what is

the role of government and what is the role of philanthropy? Obviously, the definition of the role of government has changed, and foundation folks take very different perspectives on what their role is relative to government. Anyway, I'll leave it at that.

JOHN FOSTER-BEY, Corporation for National and Community Service: I've actually worked at several large foundations, including some that you have mentioned. Just a couple of quick thoughts. For Phil, I would use the effectiveness a lot; but there's a normative dimension to effectiveness and you use it in a way that suggests it's objective. There's some space that needs to be given to thinking about that.

The other issue is, I don't think the rush to professionalism is because foundations are overstaffed. In fact, having worked at foundations I think often they are actually understaffed.

And the final thing I would say is, on this strategic focus idea, if you see foundations making a really, really large bet, it's a bet that involves very little innovation, because they've already made the decision about what's the right thing to do, and you don't have much room for any real dialogue, there. So I interpret small grants as being an opportunity to actually have some real dialogue, to actually have some competition.

I was at the Ford Foundation, and in my experience we were always being pushed to make a grant precisely because we did not want to have that kind of dialogue and debate when some of us thought we ought to have that, and we were far from being in the position to make the kinds of big grants that we were being pushed to make. I can recall any number of programs that became big national undertakings even though many of us argued that we were never ready to do that, but the culture and the sort of professional understanding of the way to do things was to push towards larger and larger grants.

PETER FRUMKIN: That's a really good point, and it goes back to Pablo Eisenberg's point that we tend to assume that small grants represent a kind of spray-and-pray approach to grantmaking. We're just throwing the money out there into the community. But in fact, it's very possible – you have to differentiate it, but it's very possible – that small grants can in fact be in many ways more risky than the big grants, especially if the big grants are, let's say, for capital projects. That's a point well taken, and I want to think about that. My general assumption is that the bigger the bet, the more risk. The bigger the money, the more risk. That's obviously not entirely right. So I second Pablo's call for a session on "In Search of Small Grants: The Truth Behind Grassroots Giving" or something like that! There's a title for you to work with.

PHIL BUCHANAN: But it's a matter of degree. All of these things are a matter of degree. And I would argue that obviously there is a place for small grants. When you look at the number of grants of \$25,000, \$10,000 and less – the Foundation Center doesn't even collect data on grants that are \$10,000 and less, which are about 10 percent of the grants of that group I mentioned of large foundations – a lot of those grants are *not* risky. They are a way not to say "no." It's a matter of degree. I am not going to sit up here and argue against small grants.

And by the way, I don't think you always have to equate small grants with grassroots. Grassroots organizations sometimes need significant grants to help them to do their work. But I just think

that you've got to think about the transaction costs, here. Especially with the single-year grants. You have to ask whether this is the best way to work. When we ask grantees to estimate the administrative time that they spent fulfilling the requirements for a grant and then we do a scatter plot of hours spent by the grantee relative to the grant size, what we often see is that at many foundations there's almost no relationship. In other words, the administrative requirements are the same for a \$50,000 grant, a \$20,000 grant, and a \$500,000 grant. That doesn't make sense for the nonprofit, whose return is then much lower, or for the foundation program officer. So, just to calibrate these things as you think about them. I certainly don't want to stand up here saying that small grants can't be really important. Of course they can. The question is, how many? What is small? And how do we calibrate the administrative requirements so that it's sensible?

JOEL OROSZ: Just one quick note on that, if you look at a scatter plot of the size of grants at foundations, there will be a huge spike just below the level it takes to get to the board. (Laughter.) If the foundation says that anything over \$100,000 has to go to the board, the number of \$99,500 grants will be enormous. And a lot of those should be much larger, but people feel it's too risky to show them to the board. Let's make it \$99,500!

WILLIAM SCHAMBRA: We've run out of time. Joel, do you as our featured speaker have any final thoughts?

JOEL OROSZ: Just a couple of them. I think that there are so many wonderful issues. The whole small grants issue has not been explored to any extent. Phil is absolutely right; it costs just as much to the foundation to cut a check for \$10,000 as it does to cut a check for \$10 million. There's the question of why they're made, what they're meant to accomplish, what the administrative procedures are around them. You can end up giving an organization a grant for \$5,000 and making them spend \$6,000 monitoring and reporting on it. It's just ludicrous. So that would be a terrific piece.

I think the other thing that I wanted to say is, this is such a healthy kind of discussion because we really haven't thought in this field very much about these fundamental issues: What makes a good program officer? as Pablo raised. What makes an effective board member? What's the best way to put together a foundation, organizationally, so that it really can fulfill its mission and help people? We've tended to just sort of do it the way it has always been done, thoughtlessly and mindlessly, and I think that this is a great launching pad to talk about these issues and maybe even come up with some answers, shockingly enough.

FROM THE AUDIENCE: It's too early! (Laughter.)

WILLIAM SCHAMBRA: Let's thank our panelists for a terrific conversation.

(End of proceedings.)