

Making American Foundations Relevant

Conversations with 21st Century Leaders in Philanthropy

executive summary

The Philanthropy Awareness Initiative (PAI) is a project begun in 2005 designed to collect and better understand perceptions about philanthropy and the foundation world in the United States today. Our premise and our work are in part driven by the times. The current federal and state regulatory climate for the nonprofit sector as a whole is indifferent at best and hostile at worst. Most typically it is ambivalent, with decision-makers knowing little about foundation philanthropy.

The goal of the PAI is to determine how the foundation component of the philanthropic sector might better express its value to society. Toward that end, we examined two areas to gather baseline understanding: how the major news media has covered philanthropy in recent history and what type of research has been conducted on the sector in the last five years. What we found was enlightening:¹

Just 1 percent of 38,000 news stories analyzed chronicle the impact of philanthropy. Instead, the bulk of the coverage was "transactional" in nature, with stories about unique instances of giving and the process of grant-making (who, what, where, when, and how much). Occasionally, the "why" behind the grant-making made its way into a story. Coverage was neither particularly praiseworthy nor filled with criticism; it was fairly benign and of little meaningful substance. We noticed a distinct gap between how foundations view themselves (as interpreted through their mission statements) and how they are portrayed by the media.

Most of the research on, about, and for the sector has been inwardly focused, examining effectiveness, efficiency and grantor-grantee relations. Most studies appear to have been conducted primarily in reaction to external pressure, such as demands for greater accountability. In their introspective pursuit of trying to come up with the perfect measure of excellence in grantmaking, foundations seem to have lost sight of the larger issue of their impact on the world. And, they have paid little attention to the question of the extent to which an integrated and strategic approach to communications might enhance performance.

For another perspective, we decided to take a look at what foundation leaders, leaders of foundation associations and affinity groups, and others who study the foundation portion of the philanthropic sector for a living think about the sector and how it is perceived by those external to it. We set out with several questions: Do foundations (the organized portion of the philanthropic sector) perceive the need to change or improve how they are perceived by external audiences? If so, how would they define their audience? And, to what end result?

Through the course of in-depth interviews with leading actors in the sector, we found almost universal agreement that the *role* and *importance* of the sector does not register with critical audiences to the extent that it should. With this degree of consensus, the central question became why haven't foundations taken action to address this problem? True change may require individual institutions to make long and hard internal assessments that in turn may force them to re-think their roles in the sector before the sector can redefine its role in society.

HOLDING A MIRROR TO THE SECTOR

Talking with sector leaders and observers revealed not only resistance to a sector-wide effort to shape external perceptions but also opportunities to engage in such an effort. What became remarkably clear is that private foundation philanthropy, which prides itself on advancing and improving the human condition is, paradoxically, *distanced* from people—from those at the highest levels of government to those benefiting the most from their actions.

Although there was widespread agreement on the need to change external perceptions among elites (policymakers and opinion leaders), there was little consensus on why it is necessary, what to do, how to do it, or who should lead it. Interviewees noted that current efforts on evaluation, transparency, and accountability are insufficient to change the perceived value of the role of foundations.

Throughout the interviews, we observed a tension between public and private that may go to the very heart of the undefined space in which foundations operate. Their assets are private, yet the tax-exempt trusts exist only by virtue of public will. They are directed by boards and presidents, yet their business is to benefit the social good. The personalities of most foundations are intentionally private (in part so that grantees may receive maximum benefit), yet have no public face.

The relative insularity of the sector and the apparent belief that 'good works speak for themselves' has left it vulnerable to criticism from policymakers and, furthermore, to being invisible. This state of affairs, which distracts from the sector's purpose at best and threatens its existence at worst, can either inspire yet more stop-gap measures or become the catalyst for a fundamental shift in sector attitudes.

SUMMARY OF WHAT WE HEARD

In the report that follows, we present an array of anonymous quotes from our interviews organized thematically. The list below reflects the key themes and conclusions that emerge from the responses when considered collectively.

- The foundation sector has not defined a clear *role* that firmly establishes its relevance and importance in American society.
- Foundations are not connecting with their audiences. The audiences that matter most are grantees, Congress and other political actors, and, to a much lesser extent, the media and general public.
- Foundations avoid the limelight because they don't want to be perceived as braggarts or steal the thunder from grantees.
- The foundation sector assigns itself "institutional character" attributes that may limit its ability to be proactive and a fear of failure further limits possibility.
- There does not appear to be clear and compelling motivation to change public perception.

RECOMMENDATIONS

Define Who You Are

Private philanthropy begs to be redefined in the context of 21st century civil society. The opportunity awaits foundations to define and articulate the parameters of the problems they wish to address. Foundations can speak out about their role (individually and collectively) relative to the scope of the problems *and* to the role of other institutions (government, nonprofit and private sector) engaged in the same issues. The complexity of today's societal challenges

requires a myriad of solutions from institutions with varied resources, strengths, and skills. Thus, the rich diversity among foundations is something to be celebrated and can be an asset deployed to serve multiple functions.

Know Your Audience and Reach Out

Foundations' collective inability to communicate effectively with key groups and individuals is widely acknowledged. If foundations truly perceive these audiences to be mission-critical to success, then continuing with a business-as-usual approach is not sustainable. If you want to be noticed and appreciated by policymakers, elected officials, and other key audiences, you must make yourself relevant. Greater awareness leads to understanding, understanding leads to recognition and recognition leads to relevance.

Own Your Impact by Giving Voice to Your Good Works

'Good works' do not speak for themselves. Sharing stories about successes and lessons-learned contributes to your effectiveness by creating awareness and understanding for what you do. Transparency about what has worked and what hasn't helps to frame and manage public expectations with regard to success while helping peer organizations avoid pitfalls experienced by others. Speaking out about what you do doesn't have to overshadow the contributions of your partners. To paraphrase one sector observer, the public stage is big enough for both grant-makers and grant recipients.

Transform Your Culture to be Proactive and Open

Behavior that is insular, fragmented, and reactionary is perceived to be both widespread and problematic among foundations. A culture shift is needed in order to convey that foundations are benevolent, honest, collaborative, and instructive, and that they act with integrity, and work for the public good. Nearly all respondents noted that there is little willingness to share learning across foundations, and even less willingness to share with the public sector—even though the goals of the original grants and evaluations may be to solve social problems. While diversity (e.g., in size, mission, geographic reach, and scope) was often mentioned as a positive attribute of the sector, respondents were quick to note that this same diversity feeds fragmentation. Small family and community foundations feel somewhat alienated from larger, independent foundations, even though the former are often the most directly engaged with decision-makers and have critical experience and insight to bring to the table.

Drive—Don't React to—Change

Foundations recognize that decision-makers' lack of awareness and understanding will jeopardize the nature of their operations and even, potentially, their very existence. Fear of legislative and regulatory change has intermittently spurred foundations to rally together. However, fear is an insufficient motivator to sustain systemic change. As one interviewee predicts, the sector will continue to be scrutinized, particularly as philanthropic resources and activity continue at phenomenal growth rates. Therefore, it is disheartening that in all our interviews no imperative for change was voiced in the way foundations communicate with those outside the sector. Nevertheless, it is incumbent upon leadership to get ahead of the curve in communicating the role of foundation philanthropy and the impact it can and does have on society. This movement can be accomplished by shifting the way foundations think about the value of their work.

A CALL FOR A SHIFT IN THINKING

Based on our conversations with interviewees and our previous research findings, we believe that foundation leadership and staff must think differently about their missions, their practices, and the impact they truly have on humankind. And to those who say that they cannot measure their impact (because they are still perfecting their effectiveness metrics) or cannot claim to have effected any major social changes, we say, "nonsense!" It may not

be an easy task but foundation staff *can* break down into concise, understandable narrative statements the discrete and relevant pieces of the problem at hand and the foundation's role in addressing them. In other words, start to tell stories.

In his 2005 monograph, *Good to Great and the Social Sectors* business scholar and leadership guru Jim Collins suggests that it may not be the "perfect indicator" that matters, "but settling upon a *consistent and intelligent method* of assessing your output results, and then tracking your trajectory with rigor."²

*It doesn't really matter whether you can quantify your results. What matters is that you rigorously assemble evidence—quantitative or qualitative—to track your progress. If the evidence is primarily qualitative, think like a trial lawyer assembling the combined body of evidence. If the evidence is primarily quantitative, then think of yourself as a laboratory scientist assembling and assessing the data.*³

Whether trial lawyer or bench scientist, the point is to make a case and, we would add, *communicate* it. No lawsuits are won, no scientific breakthroughs achieved without effectively communicating the essence of the story.

Foundations need to think less about process and metrics, and more about what brought them to this work in the first place.

At a minimum, foundations need to balance the recent emphasis on determining effectiveness (the head) with the passion and principles (the heart) that underlie philanthropy. The costs of inaction must be weighed. Many of the individuals with whom we spoke clearly recognize that the *status quo* is increasingly unsatisfactory and unsustainable. Foundations are in a position to drive the change necessary to be known for their missions by connecting (for all to see) their work to a set of core values and principles and, therefore, be viewed as integral institutions charged with advancing the common good.

At the conclusion of this report, we suggest a way forward that includes specific action steps. In sum, philanthropic foundations can control their own destiny if they begin anew to frame and share their impact with key audiences so that they are better understood, i.e., begin to tell stories from the heart of the institution. Then and only then will they begin to command some space on decision-makers' radar screens. The stakes—achieving foundation goals in the 21st century—could not be higher.

Finally, it is important to note that over the years, various foundations and their related supporting associations have seen a need to improve public perceptions and have recommended various communications campaigns to heighten the sector's profile. These efforts are recognized as having merit but, for various reasons, have not been embraced and implemented. After speaking with leaders in the sector, we have a better appreciation for the factors that have inhibited the success of these strategies.

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