

Fulfilling the Philanthropic Contract: Mutual Benefit for the Public Good*

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Introduction

The Maytree Foundation was started almost a quarter century ago to deal with issues of poverty; we have focused on immigrant and refugee settlement, among some other things. We have made grants, developed capacity-building programs, and been engaged in the development of public policy.

We created The Caledon Institute of Social Policy for work on social policy related to poverty. Caledon is devoted to creating solutions to systemic poverty and to developing practical public policy solutions that can be picked up and implemented by governments.

We created The Tamarack Institute for Community Engagement, which works on the development of comprehensive community collaborations.

I am also the Chairman of The Philanthropic Initiative (TPI) in Boston, which is a nonprofit company advising on strategic philanthropy. Our clients are individuals, foundations, corporations, community foundations, and trusts of various sorts. We operate in North America, Europe, South America, and a few other places in the world. Through TPI, I have had considerable international exposure, and later in this article I will discuss some international trends that we have seen.

Grantmaking: The Lens of Community

Grantmaking focuses on the intersection of capital and the community, and it is the impact that we have at that vital intersection that will speak to the quality of our grantmaking. Are we truly serving the real needs of the community in ways that are sustainable and durable and that really improve the quality of people's lives? Are we meeting the most vital needs, either for the relief of misery or for the longer-term creation of equitable prosperity? And how do we know?

That is an important question: how do we know? Part of our ability to answer depends on the lens we use to focus on our work. I use the image of a lens, like an optical lens or camera lens that we can use to see what we do clearly. And I would suggest to you that we can look through that lens from either end, from the donor end or from the community end. I think we are much more productive and effective if we use the lens of community.

* This article is adapted from a speech by Alan Broadbent to a Community Trusts of New Zealand conference in March 2006.

There is, however, much to bend us toward using the donor lens. As grantmakers, we all have concerns about the pool of capital for which we are responsible. We must invest it wisely and well, we must think of its maintenance, and, increasingly, we are being asked to be sure that our investments themselves are not causing harm, such as investing in companies that are either environmentally or socially destructive.

We need to think about the management of our organizations. One of the big jobs is to manage a deluge of applications for funding, so most organizations have set up systems and grant management procedures to process the paper. It is easy to let that process begin to form charitable activity in our communities by enforcing time frames, reporting regimes, performance practices, and behaviours that are standard across all organizations. This, of course, can be injurious to innovation or difference.

We worry about the regulatory environment: the extent to which we can engage in advocacy, the use of agency arrangements, the permissibility of donating stock in private companies, changes to tax regimes, and many other such things.

And we need to be aware of politics, both with a big p and a little p. By big-p politics, I mean our relations with elected politicians, parliaments, and councils. By small-p politics, I mean that which comes from the fact that, as grantmakers, we are all members of our communities, that we have long and deep relationships in those communities, and that from time to time we all get a special appeal for support from an old friend and colleague on behalf of an interest of theirs. Many people relish the notion that they might open a back door or side door to the process of application.

To this in the world of private family foundations is added the whole dimension of family. Many family foundations have objectives to extend family values or encourage intergenerational unity or find a placement for a family member.

All of these things result in looking through the donor lens. And my experience looking at this over the years is that donor-focused philanthropy is doomed to fail. It is doomed to fail because it is not faithful to the real needs of communities. It may tangentially intersect with community from time to time but, because the focus is elsewhere, it can easily drift away.

How do we look through the lens of community? It takes some effort. It requires that we devote ourselves to listening for the authentic voices of the community, of those most directly experiencing the issues and problems. I caution against confusing this with the voices of intermediaries, those who have been put into communities to deliver programs or services. In my travels I have heard the term “poverty industry” used many times, referring to those intermediaries who, in the view of skeptics, have a stake in maintaining need and creating dependency.

Using a lens of community requires that we trust the communities in which we deal. We need to trust that they can identify and describe the issues and problems

facing them and that they have much to contribute to the design of solutions. This, traditionally, has been a very hard trust for grantmakers to have, sometimes for very good reasons. There have been cases where it hasn't worked out very well. Usually this is due in good part to half-baked ways of identifying problems and designing solutions.

Many needy communities lack some of the basic skills needed to solve these problems. Their background and experience have not been in the critical skills of social action and have sometimes led them to be cynical about what ends are going to be served. What are often needed are a good collaborative method and a lot of capacity building.

At The Maytree Foundation, we have put a lot of effort into capacity building. We run a program called Leaders For Change to build leadership capacity in individuals and organizations. Our Maytree-York Executive Director's Program builds management capability. A program called abcGTA builds governance capacity in an effort to make governing structures on agencies, boards, and commissions in the Greater Toronto Area more representative of the make-up of the population (keeping in mind that over 50% of the population in Toronto are visible minorities and that over 50% were born outside Canada). We run Fundraising 101, which teaches organizations not simply to become better supplicants but also to think of their organizations in terms of sustainability and enduring relationships. Our Public Policy Training Institute teaches people what public policy is, how it is made, and how they can intervene in the process.

We believe that by building capacity in people and organizations, we can enable communities to be effective in finding solutions to their own problems and issues. This is what enables us to have faith in the power of the lens of community.

The Philanthropic Contract: Mutual Benefit for the Public Good

The nature of our relationship with the community is tremendously important. There is an enormous power differential between grantmakers and applicants for funding. The very fact that we have something they want creates a sharp difference. And our other characteristics—whether we are visible, well-known, and well-connected members of the community, whether we have powerful business interests, whether we have obvious political connections—can exacerbate that differential.

If applicants lack confidence (and the odds of being successful in fundraising don't inspire confidence) or have a degree of desperation behind their request (and, given the nature of budgets in the thinly stretched charitable sector, who wouldn't?), they may let that power differential play upon them. They may be willing to do many things that they probably shouldn't just to get the money to carry on. They may be willing to alter programs, even against their better judgment. They may be willing to change their staffing or management practices just

because a funder wants them to, again against their own judgment. In fact, they may find it impossible to resist a funder's conditions.

There are a couple of trends that make this situation worse. One is funders' increasing interest in project or incremental, as opposed to core, funding. More and more funders are saying they won't fund the ongoing operating costs of organizations but will fund new and innovative things or projects that have a limited timeframe. The result is that organizations are becoming increasingly thinly managed because their cores cannot grow with their business, resulting in highly stressed executive directors with too few staff.

The other trend is to so-called "venture" philanthropy, which attempts to mimic venture capital investing in the commercial sector. "High risk, high reward," the adoption of "business-like" techniques, and such bromides to efficiency and effectiveness have some donors being highly prescriptive about their funding, making demands not only on what they do but how they do it. Never mind that most businesses are run in a mediocre way, that a considerable percentage of businesses fail or merely muddle along, and that businesses typically have less complex missions than charities, which deal at the coalface of human misery and need.

Dennis Collins, former head of the James Irvine Foundation in the United States, recalled the advice he got from his long-time predecessor: first, it's not a profession, so you are not master of a body of knowledge; second, it's not your money; and third, you're not that good looking. This is wise advice, particularly that last one, which can be hard to believe when people are hanging on your every word as if they have never been quite so fascinated.

So we need to find a way to make sure that we, as funders, are not becoming problematic for charities and that we can level the field with regard to power. The way we do it at The Maytree Foundation is to use the concept of the contract. Most of you will know that the underlying concept in contract law is mutual benefit. For a contract to be valid, for it to hold up under the scrutiny of judicial investigation, there must be a mutual benefit. Both parties must get something they want in the deal. The concept, as I think of it for grantmakers, is this: the philanthropic contract: mutual benefit for the public good.

Those of you used to making contracts will know that before you sign one, you engage in a negotiation. That negotiation is a process of identifying what the benefits will be. Each party to the contract articulates what they want and expect to do. In the words of my late friend Henry Hampton, the American filmmaker who made what I consider to be the greatest television series ever, *Eyes on the Prize*, a history of the US civil rights movement, this is the opportunity to "describe what success looks like." The final contract will be a practical guide to that success.

We don't always execute an actual contract, but we always engage in the process of discussion and negotiation. And if applicants won't be bold in participating in

such a discussion, we either look for ways to help them participate, or we move on to deal with other applicants.

There are a number of other benefits to this approach. It is very helpful for evaluation. Because we've spent so much time up front describing what success looks like, it is easier knowing all the way along the line if we are seeing it develop. And it makes sharing what we learn easier, both as we move along and when we reach the end of the grant.

Trends

I thought it might be useful to discuss some of the trends that are developing in philanthropy and grantmaking internationally. Much of what I am going to say is taken from my colleagues at The Philanthropic Initiative in Boston.

The first trend is that people are becoming much more **strategic** in their grantmaking. Bharat Mehta, CEO of the City Parochial Trust in London, expresses it best. He says, if you are standing by a river and see a baby floating by, you go into the river and rescue the baby. And if you see another and another, you do the same thing. But you soon wonder what is happening upstream to put those babies in the river, so you go upstream to find out and to fix that problem. That is the nature of the growing interest in being strategic. Rather than treating the symptoms of problems, we want to find out what is causing them and deal with that.

Another trend is an interest in **scale**. If we have been funding something that works, a good program or intervention, we become interested in applying it more broadly so that more people can benefit. Too many good programs get isolated where they started because of a lack of interest, capacity, or vision to take them to scale. In fact, our sector generally is not very good at this, and we can learn some lessons from the commercial sector, which has become quite good at scaling things up through franchising, licensing, and other approaches.

Grantmaking is also becoming much **more hard-nosed** and **less sentimental** and personal. It used to be that a tug at the heart strings resulted in a tug on the purse strings, that an appeal to a personal interest of donors worked, and that many grants were the result of trading among wealthy friends: you give to my hospital and I'll give to your school. Now, donors are increasingly interested in outcomes and performance, and want to know what success will look like. There is still a lot of the old grantmaking going on, but it is giving way to much more rigorous expectations and criteria.

We are seeing a growing interest in **public policy** among grantmakers. When you do the arithmetic, you quickly come to the conclusion that if you can change the way governments behave, you will have a much bigger impact than you will by funding non-government programs. In all of our western democracies, and for that matter, I suppose, in all the autocracies too, governments are the biggest players. Even in the United States, which prides itself on being the low-government country, the leverage offered by public policy is by far the biggest lever

available for change. Thus, we are seeing grantmakers, once they have become strategic and attentive to scale, begin to think that if they can change how we all behave collectively toward key societal issues and problems, that is, if they begin to think in terms of public policy, that is the highest and best use of their capital. Some people don't want to relate to government for ideological reasons, or they think that government is useless and ineffective. These are high-cost opinions for they ignore the huge leverage that can be gained by helping government to become more useful and effective.

More and more organizations are beginning to recognize the amount of **knowledge** they are creating and accumulating and are wondering what they can do to leverage that to improve their own work, to inform the work of their grantees and applicants, and to build the capacity of fellow funders. Many have done good work in informing their own processes of applicant assessment and grant management. Fewer have used this knowledge to build capacity in charities in other than an incidental or episodic way. And it is rarely used systematically in discussions with other funders. In my experience, most meetings of funders dissolve fairly quickly into happy occasions of high self-esteem and mutual congratulations, as if we really were that good looking.

Finally, we see more funders realizing that they have developed a strong **power to convene**. In our work at Maytree, we have noticed over the years a growing willingness of people to come to a meeting if we invite them. We have become, to some extent, a "safe house," where hard issues in the community can be discussed with relative impunity. Many funders have that ability, particularly the ability to attract normally reluctant participants. It is, I suppose, one of those moments when the power differential can be used to good effect, to get a community conversation started around hard issues. The great American philanthropist, David Rockefeller, was once asked, given all the considerable work he had done in philanthropy, what he thought was his most powerful tool. His reply was, "the power to convene." We have it, particularly those who have been around a while and have a good track record of community contribution, and we should use it.

Some Cautionary Tales

Before I conclude, I want to sound two cautionary notes.

The first is about risk. We hear a lot these days about risk taking, about how the philanthropic dollar is the risk capital of society and how philanthropy should act more like venture capital. It is very fashionable talk, and I agree with much of it, particularly the bit about the risk capital of society. But let us always be clear on one thing: whose risk are we talking about? Most of the time, the risk is not to us or to our capital, which we don't expect to see again anyway. Rather, the risk is to the organizations we fund or, worse, to their clients. Much of the risk the venture philanthropists create is to organizations that they force to change by adopting new strategies, new programs, or new processes. They put at risk sustainability, durability, tried-and-true (if unspectacular) practice, and existing

relationships between agencies and clients. Some charities can resist the siren call of change backed by funding. As funders, let's always be clear on whose risk we are talking about.

The second caution is about orthodoxy. I mean here the orthodoxy of thought and approach that most of us have. The left has for years had orthodoxy about the business community, which it sees as venal and corrupt. The right has orthodoxy about taxation and government involvement. Orthodoxy can be helpful as a way of organizing thoughts and principles. But it can also get in the way. It can become a barrier to conversation and to progress. It is hard to change someone else's orthodoxy. But you can change your own and encourage those in your group to change theirs.

The Privilege of Sisyphus

Let me end with the hard work of country building. We are all engaged in this work. It is hard, and we need all hands on deck. We can't afford to leave anyone out or to exclude any effort. It doesn't matter whether you arrived here 100 years ago or 100 days ago. It doesn't matter if you came from 100 miles down the road or halfway around the world. We need all hands to the task, and we need to find ways to include everyone to make their contributions, large and small.

Grantmakers, who bring capital to bear to the task, are privileged to do this work. We should never forget this, even on those hard days when we seem to be surrounded by ingrates and whiners. It is a privilege to go out each day, put our shoulder to the stone, and try to move it up the hill. On some days, we will make some progress, moving it a bit forward. On other days, it will slip back. But it is an enormous honour to be engaged in the work of building a great nation, to step into the place of our forbears in this work, and to prepare a place for those who follow. Our reward is in the privilege extended to us to do this great work.