

Bookshelf

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Rethinking Philanthropic Effectiveness: Lessons from an International Network of Foundation Experts

Edited by Dirk Eilinghoff.

Published by Verlag Bertelsmann Stiftung, 2005, 180 pp. Paper: US \$30.00

Creative Philanthropy

By Helmut Anhaier and Diana Leat.

Published by Routledge, 2006, 232 pp. Paper: CDN \$53.95

REVIEWED BY HILARY PEARSON

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In North America, and even in Europe, foundation philanthropy seems to have reached a particularly self-conscious stage. The growth of what has become a competitive industry, with investors (donors), products and services, customers (grantees), and measures of success, has triggered analysts, observers, and practitioners alike to look more critically at the field. “How effective are we?” “How effective should we be?” “What are the best strategies for getting us there?” are questions frequently asked today not only by observers but also by many foundation staff and board members. Generally, however, those who are in the thick of philanthropic action don’t have much time for reflection. Academics and consultants, watching and analyzing the foundation world, are answering these questions with their own perspectives and suggestions for greater effectiveness.

Two books attempt to answer the question of effectiveness for what and for whom, in very different ways. The first, *Rethinking Philanthropic Effectiveness*, is a collection of articles by a group of 14 Americans and Europeans, mostly academics and consultants, who have worked with foundations on both sides of the Atlantic. Two of the academics who are published in this collection, Helmut Anhaier and Diana Leat, have authored a second book together, *Creative Philanthropy*, which captures their observations and expresses their views on the potential of foundations to achieve greater impact on society.

The two books have surface similarities of intent and theme, although they are not at all alike in tone or style. Both are offered as expert advice and guidance to support better practice. While it is not stated clearly in either book, the audience is assumed to be by and large professional managers of foundations (mostly larger foundations). Both books cross the Atlantic to feature references to European and Australasian philanthropy, which is a useful step beyond the U.S. focus of many such studies. But from the perspective of foundation managers, let alone

board members, it is not clear to me that either will become the handbook of choice.

Of the two, *Rethinking Philanthropic Effectiveness* is, despite the aspirations of its contributors, the more arid and less accessible publication. The authors are all contributors to the International Network on Strategic Philanthropy (INSP), a collaboration by seven large European and American foundations initiated in 2001 with the sponsorship of the Bertelsmann Foundation of Germany. The INSP was intended to be a forum for dialogue and critical thinking on philanthropy and its effect on societies around the world. Over four years, more than a hundred foundation staff met in peer-to-peer exchanges to build their awareness of the elements needed for creative and influential work. They identify these elements as (a) deep understanding of a funding area, (b) effective leadership, and (c) an awareness of the key developments and organizational challenges in philanthropy. This book is an effort to share some of the information and tools generated around the third element: organizational challenges in philanthropy.

The book takes a buffet approach, with a collection of articles ranging widely through topics such as global philanthropy, foundation management, governance, theories of change, evaluation practice, and stakeholder relations. There is no editorial effort to link content or to draw summary conclusions from any of this, so the reader is left to wander through, dipping in here and there according to need or interest. A number of articles are written as scholarly background studies of the history of philanthropic development around the world. For a student of the forms of charitable giving and global trends, this is very useful factual stuff. For the practitioner or foundation manager, it is not particularly relevant. Two essays in the collection are worth highlighting, however: an essay by Christine Letts, the well-known Harvard academic in the nonprofit field, who writes about foundation governance, and a piece on evaluation in the 21st century foundation by Edward Pauly. Letts makes some helpful distinctions between the roles of informed giver and of institutional trustee, suggesting that lack of clarity about these two fundamental roles is the source of much tension for staff and boards alike. She takes a practical approach to identifying symptoms of dysfunction on foundation boards and makes some practical suggestions for boards to consider. Similarly, the article by Pauly on evaluation is a clearly written and realistic assessment of the uses and misuses of evaluation in a foundation context. His conclusion, that evaluation is most powerful as a two-way learning tool, is convincing. As he notes, “by using evaluation, foundations can provide valuable lessons for society and they can provide evidence of the value to society of their work.”

This point is also made forcefully in *Creative Philanthropy*, the book by Anhaier and Leat. The subtitle of this book is *Towards a New Philanthropy for the Twenty-First Century*, and the authors make no secret of their aspirational ambitions for foundations as important vehicles for creating social value. Their first sentence is a statement of position: “Foundations have enormous potential to add

to the problem-solving capacity of modern democratic societies.” Indeed, their first and second chapters are worth reading in themselves for their exposition of the distinctive roles of endowed foundations in democracy. Their belief is that foundations are especially relevant “in the current political climate that puts less emphasis on governmental responsibilities and actions, and allocates more ‘space’ to private institutions serving the public benefit.” This book is an argument for the creative potential of foundations, illustrated through case studies of creative foundations in the U.S., the UK, and Australia.

Anhaier and Leat make a useful contribution to the categorization of foundation approaches that have become popular in discussions of philanthropy over the last decade, such as scientific or “root cause” philanthropy, venture philanthropy, and strategic (also so-called effective) philanthropy. They critique the strengths and weaknesses of each of these approaches and move on to a detailed discussion of the roles that foundations can play (redistribution, innovation, change agent, preservation, promotion of pluralism). Their conclusion is that none of the approaches described earlier exploits the true potential of foundations. In their view, the new (and more effective) paradigm must be that of *creative* philanthropy.

The bulk of the book is devoted to clarifying the model of “creative” philanthropy, an approach that encourages “constructive conversations about new approaches to new and old issues, thus increasing the problem-solving capacity of society and reinvigorating civic engagement.” In the end, their argument that this is a “new” form of philanthropy fails to persuade, although they include detailed case studies of the work of particular foundations that they feel are especially creative. While they have incorporated and neatly summarized definitions and links between creativity (of ideas) and innovation (in programs or approaches), they don’t make an entirely compelling case for creative philanthropy as a universal or “best” practice. Many of the foundations that they single out for description, such as the Wallace Foundation and the Annie Casey Foundation in the United States, and the Joseph Rowntree Charitable Trust in the United Kingdom, have been featured in other discussions of effective philanthropy within their areas of specialization. Their stories are interesting, as are the stories of the other foundations profiled (and it is indeed useful to have stories of foundations outside of the U.S.), but the impact of their work is not specifically traced to their unique creativity. In other words, it is difficult to see the practical value of a label such as “creative philanthropy.” What many of these large foundations have accomplished is extraordinary, but is creativity the primary driver? Or is it a more complex blend of risk-taking and visionary leaders, resourceful staff, engaged boards and unique opportunities?

One puts down the book with a mixture of admiration and confusion. The stories fill us with admiration for the public good that has been created by these foundations. But the authors’ analysis does not help a foundation manager to pick out the elements that are most critical in transforming a foundation into a “cre-

ative” force. Much of the last few pages of the book allude to tools, approaches, and strategies that have been widely discussed elsewhere in such networks as Grantmakers for Effective Organizations, the Center for Effective Philanthropy, and the umbrella organizations of organized philanthropy. Disappointingly, the important question of the role of private foundations in sustaining democracy and civil society is raised but not addressed in a rigorous way in this book. On balance, it is a book that should be read by anyone interested in the future of organized philanthropy, but it does not, as it claims, point the way ahead. It is a commentary rather than a roadmap for the state of philanthropy today.

Managing Risk in Nonprofit Organizations: A Comprehensive Guide

By Melanie L. Herman, George L. Head, Peggy M. Jackson, and Toni Fogarty.
Published by John Wiley & Sons, Hoboken, New Jersey, 2004, 336 pp.
Cloth: CDN \$71.99

REVIEWED BY ALLEN TYYSKA*

I think I am a typical Canadian. I shovel the snow and salt the ice in front of my house. If I need a new roof, I ask for quotes from three roofers. I am not surprised that the bank insists my house be insured before approving a mortgage, nor is it a surprise to me that the insurance company will not issue a policy unless there are smoke detectors in good working order. All this betokens a certain inherent appreciation of risk management that may actually be central to the Canadian psyche, an approach to the world compounded of those typically Canadian virtues civility, prudence, and common sense.

I carry these attitudes with me to the voluntary organization with which I am associated. We run police records checks on potential volunteers who will work with kids. I have recently become treasurer and am glad to see that two signatures are needed on cheques drawn on our corporate account.

Ours is quite a small organization. And while we try to exercise normal prudence, I must admit that ours is one of the 75% of Canadian voluntary organizations that have no formal risk management plan. Recently I have begun to tell the board that we need one, in part because I hope that a risk management plan will lead to lower insurance premiums. I know many feel the jury is still out on that question, and I have heard from those who say that their groups do have risk management plans in place, and their insurance premiums are still high.

Nevertheless, I have begun to scour libraries and the Internet for information on voluntary sector risk management. At meetings of the board, we have begun to discuss the risks we face and think about what we can do to protect ourselves.

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It was against this background that I read *Managing Risk in Nonprofit Organizations*, and in it I caught a glimpse of a larger world. I saw a world as far beyond what my colleagues and I think of as risk management, as a Mozart piano concerto is beyond *Chopsticks*.

It is fair to say that most books on risk management characterize the purpose of the exercise as minimizing or avoiding risk. This book begins with the assertion that as well as managing threats, risk management should also acknowledge the inherent and desirable risks that organizations must take to accomplish their missions. Nonprofit organizations are ships that sail vast seas of uncertainty, across changing social, technological, political, and economic environments that create both challenges and opportunities. Accordingly, nonprofit organizations need both to confront threats and to embrace opportunities: to address the risk, for example, that a volunteer might harm a client or that a new government might reduce funding and, equally, the risks that must be taken to advance a mission such as relieving homelessness.

This book takes the view that risk management should not be seen as a bit of unpleasant housekeeping, but is in fact an opportunity to achieve an organization's full potential. It argues that risk management deserves the attention of an organization's board, its staff at all levels, and its volunteers, for five key reasons:

1. Asset stewardship – to prevent the erosion of core assets and the loss of human resource assets;
2. Achieving public accountability – to ensure the organization uses its resources wisely in order to retain the respect of potential volunteers, corporate and individual donors, and competent staff;
3. Attracting stakeholders – to avoid the appearance of a carelessness that might cause the support of community stakeholders to wane;
4. Freeing up resources for mission – to avoid losses that might force an organization to divert scarce resources to compensating victims of harm or replacing damaged equipment; and
5. Staying true to mission – to avoid causing harm, since causing harm is antithetical to a nonprofit organization's mission, and the fallout from it can distract key personnel from attending to core program activities.

The promise of a larger world in the opening pages of the book is amply fulfilled throughout. It is subtitled, *A Comprehensive Guide*, and it certainly is that, a very practical book that is a combination of risk management primer and comprehensive ready reference.

Part I, "Managing Risk in the Nonprofit Sector," makes the argument for risk management; explains the key concepts of risk, uncertainty, and loss; discusses the assignment of responsibility for risk management within an organization; and outlines the risk management process.

Part II, “Understanding the General Risks Facing Nonprofit Organizations,” is in many ways the core of the book. The various chapters provide an exhaustive dissection of the risks organizations face, and describe techniques for identifying risks and strategies for addressing them. The chapters cover property risks, income risks, liability risks, people risks, reputation and mission risks, volunteer-related risks, governance and fiduciary risks, risks related to serving vulnerable populations, risks of transporting clients, and collaboration risks.

Part III, “Risk Financing for Nonprofits,” is a thorough-going primer on the financial aspects of risk management. This excellent discussion looks at risk financing options, what can and cannot be insured, and the balance between risk retention and risk transfer. The chapter on insurance provides a clear-headed and valuable introduction to insurance issues for those whose experience in the area is limited.

The two senior authors, Melanie Herman and George Head, are with the Nonprofit Risk Management Center in Washington, D.C., an organization established in 1990 to provide information resources, technical assistance, and training. The Center serves an estimated 20,000 nonprofits annually. The remaining two authors, Peggy Jackson and Toni Fogarty, both have academic backgrounds and are partners in Fogarty, Jackson & Associates Consulting Group in San Francisco.

One need not fear that this American origin might seriously limit the book’s value for a Canadian reader. True, there are significant differences between the situations of nonprofits in the two countries in areas such as the balance of public and private funding, and the legal environment. However, the similarities between the two countries are so great that the book will be as valuable to a Canadian nonprofit as an American.

The authority of its authors is evident throughout. Every topic is pursued in considerable depth page after page without a lessening of seriousness, clarity, or comprehensiveness. All in all, it is a remarkable accomplishment.

However, this does mean that, while clearly written, the book is exceptionally dense. It is difficult to imagine the reader who could sit down and read it cover to cover, although perhaps a professional risk manager, a teacher of risk management, or a risk management consultant might be tempted to do so and would find the experience rewarding.

There are rewards here for the rest of us, too. At this level of discussion, risk management *per se* fades into the broader subject of best practices in nonprofit management overall. Thus, the section on “Managing Volunteer Risks” is actually a succinct manual on volunteer management, while the section on “Governance and Fiduciary Risks” is a comprehensive handbook on volunteer boards, and the section on “Managing Collaboration Risks” is a useful discussion of partnerships.

Indeed, there is valuable information, guidance and advice throughout the book, and the exceptionally detailed table of contents is a reliable road map to discovering its riches. The book is a gem that belongs in any library of nonprofit management.