

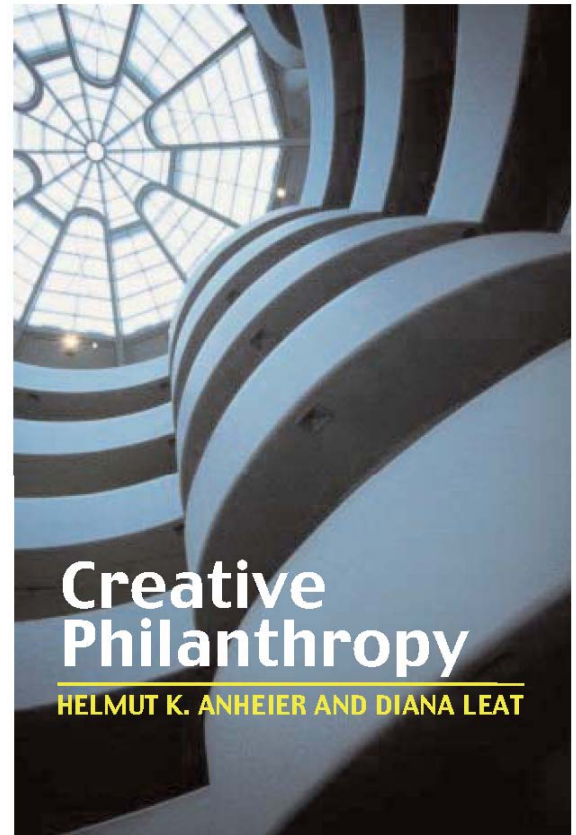
Creative Philanthropy

Helmut K. Anheier and Diana Leat

Philanthropy and endowed foundation are good and vitally important institutions of modern society. As institutions, however, they are facing new threats: declining resources relative to needs, and questions about their accountability and performance. In recent years, individual philanthropists and foundation leaders have looked to strategic philanthropy as a way of becoming more effective and efficient. Strategic philanthropy can help foundations to think about structures and processes, but it does not provide any answer to the more fundamental questions about foundations' distinctive roles in contributing to public good. This important new book provides an overview of creative philanthropy along with an analysis of the theory and practice of philanthropy. The authors spell out the implications of their study for management and policy and provide readers with the tools and techniques of creative philanthropy. This important new book explicates this complicated but vital subject area, making it essential reading for all those who study or work in foundations, philanthropy, and nonprofit organizations.

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CREATIVE PHILANTHROPY

TOWARD A NEW PHILANTHROPY FOR THE TWENTY-FIRST CENTURY

EXECUTIVE SUMMARY

BY

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We were motivated to explore the future of philanthropy by a concern about what we see as a low-key malaise. This malaise is not about money and payout rates; it is less a matter of what *is* and what *has been* achieved. The malaise is about a lack of awareness of *what could be possible*, and what greater, and largely unrealized, *potential* foundations could have. In our opinion, at its core, is the limitation of current models and approaches. The willingness and ability to overcome these limitations could provide the key to reinventing philanthropy as a central institution of society. Indeed, for future growth and broad legitimacy, achieving greater impact through what we call creative philanthropy is the central issue for foundations today.

A BRIEF HISTORY OF CONVENTIONAL PHILANTHROPY

At their best foundations are innovative, risk-taking funders of causes others either neglect or are unable to address. They fit in well with the way modern society is developing in an era of smaller government, social diversity, and greater reliance on private action for public benefit. Nevertheless, many, and perhaps too many, foundations would be hard pressed to prove the effectiveness of their contributions and the sustainable impact achieved. Why? The answer is not simply the cost of heroic mistakes borne of high-risk ventures. Foundations' failure to maximize their potential is rooted in the three dominant approaches.

Charity. The first approach, charity, is the original model, was in many ways well suited to the social and political context of the 19th century. With inadequate provision by nonprofits

and government, foundations provided services to those unable to care for themselves. As governments increasingly began to provide some services for some groups, foundations adapted the service approach to provide services complementary to those of government or to fill gaps in statutory provision. Until the early 20th century, this approach was probably effective, yet it had, and continues to have, major shortcomings that prevent foundations from exploiting their fullest potential. First, this approach can, and is, adopted by other non-endowed or non-charitable organizations. Second, the charity approach makes a difference to those lucky enough to benefit from the service but, taken alone, has no impact beyond that. Third, the approach tends to operate on the now largely false expectation that someone else will take up the job of widening and sustaining impact. Traditionally, it was assumed that what foundations start, government will, and should, continue. Finally, the charity model addresses symptoms rather than causes. In an important sense, the charity approach changes very little. This was the key criticism that led to the rise of the philanthropic/science foundation approach.

Philanthropy. This approach is different from charity in its emphasis on dealing with causes rather than symptoms of problems. Again, the rise of the philanthropic foundation was a product of its time. In early to mid 20th century, belief in the power of a ‘scientific approach’ was riding high, as was the notion of social engineering. Social, medical, economic problems could all be solved once their causes were understood and ‘scientific’ solutions applied. For all the achievements of the philanthropic/science approach it too suffers from some weaknesses when viewed from a 21st century perspective.

First, like the charity approach, the philanthropic approach fails fully to exploit the unique potential of endowed foundations. For the most part, this approach can, and is, adopted by other kinds of organisations as well. Second, it rests on assumptions that may be true in the natural sciences but are questionable when applied to social issues in the sense of ‘social engineering.’ If the causes of something as complex as, say, poverty are identifiable, they may not be susceptible to scientific solutions and simple control measures. Third, while the philanthropic approach has much wider potential impact, it often fails to appreciate the long, slow, complex and expensive path to effective problem solving.

Strategic Philanthropy. In recent years, new approaches have been added to the foundation lexicon that include strategic philanthropy, venture philanthropy, blended value etc. They are, in many respects, descendants of the scientific philanthropy, and while they have stimulated healthy debate, some fundamental weaknesses remain, stemming, in part, from their instrumentalist, managerial assumptions. First, they tend to focus on foundation processes rather than roles, and do not address fundamental questions such as: what is the distinct purpose of philanthropy? What is the unique value of foundations in a democracy? Second, they apply business models to foundation practices, with the assumption being that if only foundations were run like businesses, all would be well. While these models have something to offer, they are inappropriate guides to achieving social change. Social change is a negotiated, contested, political process not simply a matter of better management. The complexity of social problems is such that their resolution is never in the hands of one actor and, particularly so, if the actors, like foundations, rarely commands the resources commensurate with the problem at hand.

Weaknesses of Current Foundation Practices

Against this background, conventional philanthropy developed specific weaknesses in the culture and practice of foundations. Being aware of them is a first step towards philanthropic renewal:

- **Funding Rules not Project Needs**, where grant size tends to be determined by general principles within foundations, rather than the needs of the problem, project or proposal.
- **Too Little for Too Little Time**, where a focus on small, short-term grants is inadequate to the sustained, long-term engagement required.
- **Let 1000 Flowers Bloom – and Die**, which is result of foundation funds spread too wide and too thinly, suggesting ineffectiveness and lack focus.
- **Over-Emphasis on Project Funding**, whereby foundations give (short term) project support, while grantees need more core funding and operational support.
- **Lack of Collaboration and Learning**, which sees foundations as overly individualistic, poor at collaboration, sharing and learning.
- **Inadequate Theory of Change**, which implies that foundations often fail to think through what or who would have to change in order for that to happen.
- **Relay Race not a Marathon**, as without a theory of change foundations fail to understand the importance of long-term dissemination and ‘marketing.’
- **Overly Focused on Money**, with the assumption that once we know what needs to be done, money is all that is missing.

While we could add others (e.g., being apologetic about overhead costs; over-emphasis on planing relative to implementation and dissemination), a key insight is that lack of solutions to problems is often related more to lack of knowledge, ideas, and political will, rather than lack of money. This over-emphasis on the power of financial resources may distract foundations from the difficult task of analyzing what really is needed to achieve a sustainable difference.

TOWARDS CREATIVE PHILANTHROPY

That foundations have done much good in the world is beyond doubt. But the key question is not ‘do foundations do good?’ but rather ‘do foundations do the best they possibly could in the current environment?’ Arguably, one of foundations’ weaknesses is that the world has changed while they have remained much the same, as have the approaches mentioned above. We argue they are sufficient and prevent foundations from:

- Exploiting their distinctive characteristic of freedom from market and political constraints to make a unique contribution to democratic debate; and from
- Maximizing the breadth and sustainability of their impact.

To achieve both, a third approach is necessary: creative philanthropy. By this we mean the unique capacity of foundations to spot innovative solutions to problems, to jump-start and then help sustain the innovation process, and to help disseminate and implement results. Specifically:

Creativity is the act of finding an approach to a solution of a perceived problem or need, and for generating or making possible some kind of innovation in response. An innovation is an idea, practice, or object that is perceived as new. Diffusion is a particular type of communication about a new idea, and the process in which an innovation is communicated through certain channels over time among the members of a social system. *Our argument is that foundations are uniquely situated to become major agents and sources of creativity and innovation, enhancing diffusion processes towards desired outcomes or objectives.*

Critical for innovation and diffusion patterns is the degree of similarity among communicators, i.e., between the actor in possession of a creative idea and the actor accepting, rejecting or modifying the implied innovation. Homophily is the degree to which two or more individuals who interact are similar in certain attributes, such as beliefs, education, socio-economic status etc. By contrast, heterophily is defined as the degree to which two or more individuals who interact are different in certain attributes. Clearly, homophilous communication processes yield diffusion patterns different from heterophilous ones. In the former, an innovation is more likely to remain within certain fields, groups or social systems, whereas in the latter, it is more likely to spread widely but also more ‘thinly.’ *We argue that foundations are uniquely situated to make both homophilous and heterophilous diffusion patterns possible by spanning boundaries, linking actors and convening constituencies that would otherwise be unconnected.*

Time is another element of diffusion, and involves:

1. the innovation-decision process by which an individual passes from first knowledge of an innovation through its adoption, modification or rejection;
2. the innovativeness of an individual or other units of adoption in terms of the relative earliness or lateness with which an innovation is considered; and
3. an innovation’s rate of adoption in a system, usually measured as the number of members who adopt the innovation in a given time period.

We argue that foundations are uniquely situated to manage the time element of the diffusion process; they can mobilize and target resources in the short term to help bring about innovations and their diffusion; and they can support and maintain diffusion processes, including modification and further adaptation of innovations, in the long-term.

Finally, innovations take place and unfold in a wider social system, defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal. The units of social systems include individuals, informal groups, and formal organizations, and subsystems. Members cooperate at least to the extent of seeking to solve a common problem in order to reach a mutual goal, but they typically seek to maximize their own well being in economic, political or social terms, and may even compete on many levels.

We argue that foundations are uniquely situated to take a systemic view with the overall public benefit in mind, and may ensure that innovations reach optimal entry and diffusion points, help otherwise neglected or disadvantaged constituencies, and affect wider policy change addressing issues of equity and social justice.

Our aim is to illustrate the ways in which foundations can become creative philanthropies; to explore why foundations adopt such an approach; what a creative approach involves in practice; what management tools it requires; the tensions and dilemmas it raises; and the results it achieves. We have done this through a collection of vignettes and more detailed case studies of selected foundations in the United States, the United Kingdom and Australia.

Creative Philanthropy in Action. In the US, examples are the **Rosenberg Foundation**, which over a 10-year period achieved major reforms in the child support system in California; the **Annie E. Casey Foundation**, which has, among other things, created and vigorously promoted the benchmarks by which states may measure their treatment of children in its annual KIDSCOUNT data book; the **Pew Charitable Trusts** which have been major players in saving more than 100 million acres of old-growth forest and wilderness areas in the US; the **John S. and James L. Knight Foundation**, which operates at the intersection of politics, media and society, and, the **Wallace Foundation** which, among other achievements, has re-framed the debate on the principals shortage as a problem of poor working conditions, and stimulated considerable interest in improving the design and targeting of efforts to expand arts participation.

In the United Kingdom, our examples include the **Carnegie UK Trust** that with a budget of a tiny £1.4 million has, among other things, radically transformed the way in which ageing is seen in the UK and was a major factor in the creation of a government programme entitled Better Government for Older People; the **Joseph Rowntree Charitable Trust**, a key player in achieving the passage of a Freedom of Information Act in the UK and, behind the scenes, in the peace talks in Northern Ireland. In Australia, the **Victorian Women's Trust** engaged in long-term coalition building to address communal violence. We also looked at the approach of the so-called 'conservative' foundations in the US, and the recipient foundations of the Robert W. Scrivener Award for Creative Philanthropy.

Comparing Creative and Conventional Philanthropy. In terms of performance, both philanthropic approaches exist in an environment of weak signals and weak incentives. Because of the limited application of the principal-agent problem in the foundation world, information about performance is not as clearly and keenly demanded, required, assembled and analyzed to the same extent as in the forprofit and public sector due to weaker signals and incentives. In other words, performance is less linked to incentives in response to owner/stakeholder signals than in the other sectors, which makes information about performance and outcomes potentially problematic.

In this respect, creative foundations seem to set higher standards in compensating for such weaknesses by taking a proactive approach: They seek to achieve sustainable outcomes with impact beyond their immediate beneficiaries. Creative foundations also work over the long term, and often in partnership. For all these reasons assessing results is complex. The full impact of a creative approach may not be apparent for some years and, even then, difficult to attribute to any one organization or program. That is the nature of social change and one reason why Board members of creative foundations need to be both courageous and humble. Or study suggests that creative foundations are more successful than conventional foundations in:

- Extending their impact beyond their immediate grantees;
- Creating sustainable change, and promoting creative, constructive public conversation, which enhances democratic debate and society's problem-solving capacity.

Creative foundations do this by:

- Changing the way in which society, including policy makers, think about issues;
- Vigorously communicating new ideas and approaches to targeted audiences, and providing practical, workable solutions to problems;
- Running marathons not relay races doing whatever it takes to get to the desired outcome, often working on an issue for 10 years or more; and
- Going beyond demonstration and causes, to dissemination and implementation of new approaches.

Most significant lessons. Although these foundations are in many respects very different – in age, income, location, mission and so on – they share certain fundamental views about roles, resources, spending, planning, change, grant-making, communication, evaluation and relationships with others. These views relate to each other to form a complex yet distinctive approach.

- **Role:** To achieve sustainable change with an impact beyond their grantees, creative foundations go way beyond conventional grant-making for demonstration projects. They seek to contribute and effectively communicate new, informed perspectives on issues and problems, and proactively to encourage conversation and action by others. Grant-making is only the beginning of an usually long-term process and may be only one strategy in a complex toolbox. Creative foundations start with an outcome they

want to achieve and the desired outcome dictates the strategy. Creative foundations are not afraid to do things themselves if necessary. Grant-making may not always be the best way of getting things done and reaching the outcome.

- **Assets and Resources.** For creative foundations, knowledge, networks, influence and independent non-partisan voices are key resources. Having money is not enough, and by itself does not earn ‘a seat at the table,’ influence or the right to be listened to. The ability to contribute informed new perspectives and effectively to communicate those requires, among other things, building reputation and earning credibility in a particular field.
- **A Theory of Change.** Starting with an outcome encourages creative foundations to think hard about how that could be achieved. In the process of identifying what would have to be different for the desired outcome to be achieved, creative foundations, in effect, develop a theory of change. Social change is as a matter of iteration not cataclysm; it is a slow, long-term process. Creative foundations work on an issue for as long as it takes to achieve the desired outcome – often ten years or more. Moreover, social change was rarely seen as either bottom up or top down but more as a mix of both requiring work at various levels and with multiple strategies. As social change is not entirely predictable, creative foundations maintained a degree of flexibility in programs and strategies, and exploited opportunities as one of their tools.
- **The Power of Rich Networks.** Creative foundations value their independence and voice but, at the same time, recognize that they are powerless alone. They see relationships as one of their key assets and work to build rich networks of different types at various levels. These foundations build relationships with a wide variety of other people and organizations in academia, the non-profit world, government, the media and so on. The breadth and depth of relationships are dictated by what is necessary to achieve the desired outcome.
- **Planning as a Work in Progress.** Adopting a creative approach involves focus and flexibility. In order to build reputation and credibility, to develop sound knowledge and to build rich networks in a particular field, creative foundations have to focus on a small number of priorities in a limited number of fields. But creativity requires space and freedom. Flexibility is also necessary to take advantage of unforeseen opportunities, new points of access and leverage for change. Creative foundations spend time scanning the environment, keeping up with changes and spotting trends, newly opening policy windows and new issues. In spotting new issues and trends, they emphasize the importance of hard evidence but they also acknowledge that instinct plays a part.
- **Show and Tell.** Communication is an essential element in the creative foundation’s toolbox. They engage in ‘show and tell’ and do not assume that communication will happen ‘naturally’ or that it can be left to someone else. Communication to the right audiences by the most effective routes in the right format is crucial for achieving the outcome. The precise strategy follows from the theory of change but goes way beyond the conventional publication of a report, or item in a newsletter or on a website.

- **From Demonstration to Implementation.** But communication alone is not enough. Creative foundations know that the marketplace of ideas is crowded, full of obstacles and blind spots. If change is to be sustainable it has to be implemented. Moving from ideas and small-scale demonstration projects to wider implementation requires continuing, influential champions. Again, strategies for ensuring implementation of change follow from the foundation's analysis of how change happens, who and what are the change makers, and where the obstacles are in this particular case. Ensuring effective implementation may require different networks and skills from both demonstration and communication.
- **From Evaluation and Performance Measurement to Risky Learning.** Foundations adopting a creative approach use both evaluation and performance measurement, but in somewhat unconventional ways. Because creative foundations recognise the need to work flexibly over the long-term, performance measurement and evaluation have to be similarly flexible and long term. Creative foundations' approaches to risk and learning underpin their attitudes to performance measurement and evaluation

Because creativity often involves challenging the conventional wisdoms, and experimenting 'outside the box,' creative foundations have to take risks. Risk is an occupational hazard of creativity and innovation. In an important sense creative foundations do not have 'failures'. Things that go wrong or do not work out are seen not as failures but as valuable learning opportunities. For this reason, creative foundations are learning organizations: learning how to do things better, how to resolve problems, and sharing that learning with others, is seen as a key step towards the outcomes they seek.

CONCLUSION

Too many foundations are caught in conventional models of philanthropy that do injustice to their true potential. Nevertheless, foundations have never been more important than they are today, as we are increasingly dominated by short-term market considerations and the values of competition and individualism. Foundations offer alternative, wider and longer-term viewpoints. Foundations are neither poor imitations of government nor the chosen tools for quick fixes. They are something far more important: foundations are the potential powerhouses of creative thinking and working that society needs. The approach proposed here—the creative foundation—could become an important step towards that promise.

*This executive summary is based on *Creative Philanthropy: Toward A New Philanthropy For The Twenty-First Century*, by Helmut K. Anheier and Diana Leat (London, New York: Routledge).*