



HUDSON INSTITUTE'S
Bradley Center for Philanthropy and Civic Renewal

presents a discussion entitled

A Decade of Outcome- Oriented Philanthropy



Thursday, April 19, 2012, 12:00–2:00pm

Program and Panel

12:00 p.m.	Panel discussion
1:10	Question-and-answer session
	Paul Brest , President of The William and Flora Hewlett Foundation
	Stanley Katz , Professor of Public and International Affairs at Princeton University
	Heather Peeler , Vice President for Programs at Grantmakers for Effective Organizations
	Dane Stangler , Director of Research at the Ewing Marion Kauffman Foundation
2:00	Adjournment

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WILLIAM SCHAMBRA: Good afternoon, I'm Bill Schambra, director of Hudson Institutes Bradley Center for Philanthropy and Civic Renewal. Kristen McIntyre and I welcome you to today's panel discussion of an article published not so long ago in the *Stanford Social Innovation Review*, written by Paul Brest and entitled "[A Decade of Outcome-Oriented Philanthropy](#)."

First, our customary preview of coming attractions, please mark your calendars for May 31st when we will discuss a new book just out from Columbia University Press by Professor Inderjeet Parmar of the University of Manchester entitled, [Foundations of the American Century: The Ford, Carnegie, and Rockefeller Foundations in the Rise of American Power](#). As the title suggests, Professor Parmar makes the case that the major American foundations are by no means innocent instruments of American compassion, but are rather self-conscious expressions of America's determination to establish and preserve its hegemony in the world. It is explicitly and proudly a Gramscian interpretation of the role of American foundation. I suspect even Pablo Eisenberg will look conservative next to this, [LAUGHTER] if that's possible. To help us explore this somewhat controversial book, our panelists will include Kathleen McCarthy, director of CUNY's Center for the Study of Philanthropy; Patricia Rosenfield, a Carnegie scholar at the Rockefeller Archives Center; and Thomas Asher of the Social Science Research Council. This book, I predict, will be sort of the flagship of revisionists' left interpretation of American philanthropy, so this is going to be well worth your time.

Now for today's panel, this is an opportunity for us not only to discuss a terrific article but also to express our deep appreciation to its author, Paul Brest, who will soon step down from the presidency of The William and Flora Hewlett Foundation in California. I suspect Mr. Brest would like us to think that his legacy in the philanthropy field will rest on his contributions to the advancement of outcomes-based or strategic philanthropy, which have been substantial, reflected especially in the publication of his co-authored volume, [Money Well Spent: A Strategic Plan for Smart Philanthropy](#). In fact, his legacy goes well beyond that.

Almost uniquely among foundation presidents today, Paul sought to bring a refreshing new spirit of vigorous and probing inquiry to the workings of philanthropy. Indeed, he encouraged this sort of friendly but tough-minded intellectual jousting about philanthropy's most important issues that characterizes his former and his future field of expertise, namely the law. To give just one example, when a Hewlett staff member raised some questions in a staff meeting a couple of years ago about Mr. Brest's approach to strategic philanthropy, not only did he not try to discourage or suppress her dissent, in fact he encouraged her to publish her thoughts in the pages of the *Stanford Social Innovation Review*, resulting in one of the most thoughtful counterpoints to Mr. Brest's own arguments.

This is really an extraordinary step for any CEO in any field, but especially in philanthropy where honest and vigorous debate about basic assumptions and genuine affects is vanishingly rare, so thank you Paul for demonstrating that philanthropy need not fear and indeed can benefit from open and robust dialogue and disagreement about its ends and means. And of course, thank you as well for your generous support for the Bradley Center at Hudson, where we try as well to encourage that sort of open and honest conversation. We will now evidence our gratitude by subjecting your article to the same sort of probing and poking that your example encourages.

To help us, we have a stellar panel who will speak in this order—first Heather Peeler, vice-president of programs at Grantmakers for Effective Organizations; then Dane Stangler, who is the director of research at the Ewing Marion Kauffman Foundation; and finally one of the grand figures of scholarship on philanthropy, his work thirty years ago with Barry Karl is really still the place to begin a thoughtful consideration about the role of American foundations, Stanley Katz currently at Princeton University. So Paul---

PAUL BREST: Thank you for that lovely introduction and I reciprocate quite candidly, happily the comment about having stimulating debate. I think something that the Bradley Center has done under Bill's leadership is to have terrific discussions about philanthropy and the non-profit sector. I've looked at most of the descriptions from a distance because I live in California but I'm really glad to be here today.

I'm going to begin by saying what outcome-oriented philanthropy is not. First of all it is agnostic about goals. For those of you in this room, if you think about the organizations that you represent in the non-profit sector or philanthropy or your own philanthropic goals, my guess is that for each person here you can think of three or four different goals that you pursue and outcome-oriented philanthropy has nothing essentially to say about what the goals are. They come from the donors' and CEOs' passions.

I also think it has almost nothing to say about whether the work is upstream or downstream. By downstream I mean activities that are very close, such as service delivery, providing homeless shelters, work force development, or teen pregnancy prevention programs; where you already have a strategy and you can actually see day by day whether it works. By upstream I mean, for example, supporting the work of universities or think tanks where the path to an outcome is very often indeterminate and far downstream. I don't think that outcome-oriented philanthropy has anything to say about whether you work upstream or downstream or whether you tend to be risk taking or not risk taking in your philanthropy.

It *almost* doesn't have anything to do with the particular instruments of financing, although I say almost because different instruments are going to have more impact and different consequences. For a long time philanthropy has focused on traditional grantmaking, one time or continuous gifts but where there is nothing expected in exchange. We are in a period right now when there is a lot of buzz about impact investing, which is the notion of getting some sort of financial return. Some people hope for market returns at the same time that you are achieving social impact, and one can be outcome-oriented either way. It's really a question of what works under what circumstances, and I think similarly there are ongoing discussions, which I took part in early on and continue to in GEO's Center, about the form of support that funders should give organizations, with GEO planting an important flag for the importance of general operating support.

My own view is that while general operating support is golden when it works, that's once again outcome-oriented philanthropy doesn't tell you *a priori* whether the support should be general operation support or project support. It really depends on the alignment of the funders' goals with the organization's goals.

Finally, outcome-oriented philanthropy really means outcome-oriented work by the social or non-profit sector. It is very hard to think of philanthropy being outcome-oriented and not independent of the organizations that we fund.

So that is sort of what outcome-oriented philanthropy is and isn't in general terms, and now kind of what it actually is. It starts with goals; outcome-oriented philanthropy by definition means that you are pursuing particular goals. You have an idea of what success would look like, and from that follows a number of the pieces that need to go into it. One is that you have a strategy. If you have a goal then you have to have some idea of how to reach it. There is no need for a foundation to have an overarching strategy; sometimes when they have a particular grant they may have a strategy but if there's no strategy then one wouldn't call it outcome-oriented. And this does not mean that strategies won't have to for a lot of organizations. They are working in a situation where they have to be very adaptive. I haven't heard the argument, although maybe it will come up today, that it is ever good not to have any strategy. There's a famous military maxim, 'No strategy survives the first encounter with the enemy.' I believe that but it's hard to imagine any general leading his troops into war without at least having an initial idea of what the strategy is.

So strategy is one piece of outcome-oriented philanthropy, evidence and feedback are other critical ones. The more upstream you are in the work, often the less good evidence there is about whether something will work. Look at the difference between testing an educational intervention that has not been implemented or tested in many places and implementing something that is well known. In both cases the outcome-oriented philanthropist wants to know whether it works or whether the evidence is uncertain, as it is for almost all social science interventions. You want to do your best within reason to figure out what you know and what you don't know, and to abandon strategies that look like they are not working and adopt ones that are working. And implicit in this is the essential role of feedback.

We couldn't live our lives minute by minute without feedback, and philanthropy and non-profit organizations cannot do very good work without it. One of the exciting things to happen during this last decade has been the significant improvement in the availability of feedback to philanthropists in the organizations they support; randomized control trials are not the only way of evaluating things but are a wonderful way when you can afford it. They have moved from pharmaceuticals to being applied to development interventions in Sub Sahara, Africa; the Poverty Action Lab at MIT is emblematic and also a leader in this area.

So impact evaluation existed before, but now we have had a significant growth in the tools available and also the beginning of something which I think might be called, "beneficiary voice." It is actually looking to the people who were served by non-profit organizations and the funders who support them about whether the beneficiaries are getting what they think they should be getting out of interventions. Basically the question around feedback and evaluation is, how are you and your grantee going to know if you succeed?

I think there is heightened attention now about risk, but we still haven't figured out sector wide how to think about risk. The more downstream you are, if you're feeding mouths every day in a homeless shelter, the risk is fairly low. Your goal is to have fewer hungry people at the end of the day and you know whether you succeeded. If you're developing a strategy for

entrepreneurship in an area that hasn't been developed, the risks are very high. Different philanthropists have different tastes for risk, but I also think that the fundamental way of thinking about this is, it is worth taking high risks when the benefits are potentially very high. This is how we do our own investments and I don't think it's different with philanthropy. The Hewlett Foundation does work in development and does work in climate change, where I think the probability of success is far below 50 percent. I think some of the work we are doing in trying to reduce CO2 admissions in China and India, as well as the U.S. and Europe, the probability of success is five or ten percent. So what justifies a strategy where the likelihood of success is very small? It is that the benefit if you succeed is very great and I think we're beginning to have more thought about balancing risk and return and more thought about conscious risk taking.

Especially since one of our panelists is from the Kauffman Foundation, I should mention a new and exciting and risky strategy that the Stanford Business School is undertaking. The school just received a \$100 million dollar grant from local donors to develop entrepreneurship in developing countries. This is not social entrepreneurship in particular, I think mostly although not exclusively business entrepreneurship. The data on the relationship between entrepreneurship and either household poverty or country poverty in developing countries is very speculative and the strategies that can be pursued from on the ground work or through teaching and research to reach those results are also very speculative. What I think makes the business school's venture a really valuable experiment is to see whether they succeed in getting feedback as they move along. I hope they get the feedback to learn whether in fact this is true and then have it implemented in a successful way.

I've mentioned several resources that exist now at the end of the first decade of this century that had barely come into existence at the beginning; organizations like GEO, The Center for Effective Philanthropy, and Bridgespan to help organizations who want to become more outcome oriented.

Let me end by just talking about some of the barriers that still exist. I think the main barrier to outcome-oriented philanthropy is the motivation of donors. Many donors, and I will include myself when I'm doing personal philanthropy, are really not all the outcome-oriented. I'm going to my 50th college reunion and I gave and encouraged others to give because of loyalty to the college. I think that philanthropy to universities and colleges, in my case it's a liberal arts college, can be very outcome-oriented but that is not what motivated me. I think that is fine for individual philanthropists. However I'm concerned by data that suggests even fairly large foundations act the same way I do when I'm writing my checks at the end of the year. I think that there is so much potential that is lost, whatever your goals are, if you are not outcome-oriented. So one barrier is motivation.

Another one is for everyone in this room who has worked in defining goals with clarity and defining metrics, targets that you want to achieve, and developing strategic plans in getting assessments of impact, that it is hard work and I think a lot of people start it and then they just think it's too hard. It's difficult to know what works even when you've done that work. And this is the point that Bill has made over the years, with so many social strategies one is unsure whether they actually succeeded or not and then for foundations or any donor who doesn't have a staff to support the work, it's difficult to know what organizations are doing a good job.

Something that has appeared over the last ten or so years are a number of charity rating services that are attempting to do that. I think one of the most promising is an organization is [GiveWell](#). I don't know if any of you have looked at it, but it does very in-depth research into particular organizations to find out whether the strategies they are using are likely to succeed and how well the organizations are doing it.

Well I'll end with the anecdote going back to my college reunion. So I solicited a classmate of mine who is a philosopher at NYU, very much along the Peter Singer line of philosophy, and he said, 'I'm not going to give to Swarthmore because it doesn't need my money. However if you look at the GiveWell site you will see that there is a particular malaria organization that has a strategy that seems to work very well and they're using their money very effectively, so I'm going to give to them instead.' I couldn't disagree with that, so I said how about this, 'I'll give to them and you give the same amount to Swarthmore.' So we agreed to do that but many people, even when you have a service like GiveWell and there are some others, but nothing I think quite as good, it requires some intentionality to decide to go to the site and actually see what is working and the motivation is not always there, but I'll stop there. [APPLAUSE]

HEATHER PEELER: Good afternoon everyone and thank you Paul for those great comments. I think there is an affinity between GEO's work and outcome-oriented philanthropy. Based on my experience in working with grantmakers, I would say that most grantmakers want to make a difference. It is what attracts people to the work; to be part of creating a positive change in communities. I think what is different is that grantmakers will take different pathways or deploy different strategies in their effort to make a difference. From our perspective at GEO, we think it's important that grantmakers are paying as much attention, not only to their strategy, but to what they are doing to make their grantees strong and effective.

Now I'm a recovering strategy and management consultant, so I'd be the first one to say how important strategy is to success but strategy is only part of the equation. Implementation and execution are just as important and in some cases perhaps maybe even more important. So when grantmakers are thinking about their strategies and the difference that they want to make in the world, I think it's absolutely critical that they're thinking about how they're working to make their grantees stronger and more effective. Regardless of the approach, we think that there are a number of practices that grantmakers can take to strengthen their grantees and non-profit organizations. Our learning or understanding of these practices really comes from the privilege we have of working with an incredible community of just about four hundred or so grantmakers from around the country, representing all different sizes and types of foundations and different kinds of missions in terms of the change that they are seeking to pursue. In our conversations with those members, as well as with many non-profit leaders, we've come to identify four basic practices that lead to results on the ground.

The first is flexible grantmaking. That is providing general operating support, capacity building, multi-year grants, the kinds of supports that build the adaptive capacity of organizations, so that promising and effective community solutions have the time and the wherewithal to really take root in communities. In addition, another practice is using evaluation for learning and continuous improvement. I think we would all agree about the importance of accountability, understanding

what works, and the importance of having rigorous evidence, but knowing that something works is only one step. You have to be able to apply that information to continuously improve, so that the learning process we think is best is when grantmakers are working in concert with their grantees, with their peers, and with others.

Another important practice that leads to results on the ground is stakeholder engagement. When grantmakers open up their doors, when they bring their grantees and the communities into their work, into their processes, grantmakers in turn develop an intuitive sense of what it takes to be successful in communities and that leads to better decision making. Then finally, collaborative problem solving is critical as well. When you think about the scale of the issues, the challenges that are facing communities here in the U.S. and around the world relative to the amount of resources that we're putting towards those challenges, go it alone strategies just aren't cutting it. We really need to come together, private sector, public sector, grantmakers, and non-profits to work in concert in addressing these challenges.

So in listing these practices you might be thinking, 'Well, these things are kind of common sense.' When you're thinking about that equation of strategy and execution, finding that right balance I would say is almost an artful exercise. There is no one right approach or right way. It is something that many grantmakers are constantly asking. How do we have both clarity and be disciplined in what we are trying to achieve? How do we achieve it but at the same time be responsive to the needs of the community? How do we be relentless in our pursuit for knowledge, information, understanding, and evidence while at the same time being reasonable when it comes to data requests from grantees? How do we maintain that ambition when it comes to solving and addressing critical challenges and apply an equal level of ambition to ensuring that grantees are successful? That balance, I think, is the trick that many grantmakers are trying to solve.

So I just want to talk about a few of our members who have worked at that balance, just to give you an example of what it actually looks like. Last week I had the opportunity to visit some of our members in the Twin Cities. I sat down with the staff and the trustees of the Otto Bremer Foundation. I'm not sure if folks are familiar the Otto Bremer Foundation; it's located in St. Paul and their mission is to assist people in achieving full economic, civic, and social participation in and for the benefit of their community. So it sounds like a pretty generic foundation mission; they provide about \$25 million dollars a year in grants in the Twin Cities region, as well as throughout the Midwest. They are currently going through a strategy review and trying to identify the key initiatives that they want to be at the center of their strategy, while at the same time they know that responsive grantmaking is equally important to their communities and to their work. In fact the staff talked passionately about how important responsive grantmaking was to supporting innovative new ideas and to ensuring that they have an understanding for what the community identified as problems and what solutions the community was then bringing forward. And that balance between being disciplined around these key strategic initiatives, while at the same time responding to what comes from the community, is something that they are really trying hard to find.

Another example is the Cricket Island Foundation. Cricket Island is a family foundation based in New York and their mission is to develop the capacity and commitment of young people to

improve their lives and communities. Cricket Island is probably at the other end of the spectrum, investing about \$2 million dollars a year in non-profit organizations. It has a very well-articulated theory of change and when they think about youth development they have very specific strategies that they are pursuing. However the way they support their grantees is through multi-year general operation grants. One of the things that I think is pretty remarkable is that typically in the past their grants have been for 3-5 years and they just recently decided that they were going to extend to an 8 year term because the board felt that it was important to their strategy to provide that patient kind of support and capital and flexible resources that their grantees really needed to be successful.

So these are just a few examples and I'm sure here in this room some of the grantmakers could come up with others. Certainly from the GEO membership there are many examples of the ways in which grantmakers are balancing the strategy and the execution. So with that said, despite what we know about what works in terms of strengthening non-profit organizations, as a field we are not making enough progress. Every three years GEO conducts a field study to understand what behaviors or practices that grantmakers are using that lead to stronger non-profit organizations. And what we found between 2008 and 2011 is that the same level of dollars were going into general operating support and the same level of support for capacity building, so we really haven't made much progress there. If there's a silver lining, the paperwork burden has been reduced for grantees and I think that is probably something many of us would cheer about. If you're a glass half full kind of person, you might argue that in light of the recession the fact that we didn't see a decline in general operating support or capacity building is perhaps a small victory in and of itself. But when we look at the data, about a quarter of the respondents did increase their level of general operating grants, the amount that they were investing in capacity building.

When we look behind the data to see what is happening, we found that those grantmakers are the ones that have systematic or formalized processes. They are engaging their grantees and non-profit organizations. So that when grantmakers have an ear to the ground, when they know what is happening in the communities, when they understand the needs of the grantees, they are more likely to take on the kinds of behaviors that lead to stronger non-profits.

So the bottom line is, regardless of whether or not you consider yourself to be an outcome-oriented grantmaker or not, every foundation can take steps to boost effectiveness. I think the good news is that modest changes can really lead to large impacts for non-profits and it starts by constantly asking, what is it that we can do as grantmakers to ensure that those that we work with, those that are creating the conditions for change in communities, those who are advocating to lawmakers and policymakers, those who are delivering those critical services, what can we do as grantmakers to ensure that they are as successful as possible? Thank you.

DANE STANGLER: First, thank you to Bill and The Bradley Center for organizing this panel and for inviting the Kauffman Foundation to participate. Thank you to Paul for not only writing the article, but as Bill said, subjecting it to some probing and prodding. Quickly on Paul's point about entrepreneurship in developing countries, he is absolutely right that in the literature, at least, the relationship between entrepreneurship in developing countries and income and household income has indeed been speculative. However, I think it's in large part because we

have been measuring it poorly and not defining it properly, so hopefully the Stanford Initiative is a way to improve on that.

I had the opportunity this morning to attend *The Atlantic* magazine's Healthcare Forum. This is their fourth annual conference and there was a panel on the Affordable Care Act and its fate. There was a big debate on the panel about quality of care. We had two physicians on the panel and they were talking about quality of care and finally one of the other panelists said, "There's no physician in the country who wakes up in the morning and says, 'I'm going to deliver substandard care today'; quality is every physician's goal." So I agree with Paul and the rest of the field that outcomes are important. And on a more minor point, I think Heather and Paul are correct that foundations have been far too unwilling to provide general operating support, and not only that, but to Paul's point, even if that is an inappropriate strategy for your outcome, they are too willing to write it off and not even consider it as a strategy. So I think that opening up that debate, which Paul's article hopefully will do, will be a good thing.

I wanted to focus my comments on some very general observations about not just outcome-oriented or strategic philanthropy, but sort of the whole movement within philanthropy over the last ten years. There have been a lot of things moving in this direction. As Paul notes, you have proposals for more self-governance in the field, more government regulation, more transparency, and more accountability, so there has been a lot going on. At the risk of stepping over into Dr. Katz's territory, he being a historian, I think it might help to step back and set some context. As far I can tell, I think that outcome-oriented philanthropy or strategic philanthropy probably represents the tail end of this thirty or forty year evolution of philanthropy that was really instigated by the 1969 Tax Reform Act. Most of you are probably familiar with Peter Frumkin, who is a philanthropy scholar. Peter has written a lot on what he calls "the long recoil of regulation of foundations" since the Tax Reform Act, and the changes over thirty or forty years that those changes in the tax code provoked inside philanthropy. Peter especially has focused on how it led philanthropy and foundations to become more process-oriented, more administrative, and more professionalized, which cuts both ways, but overall more bureaucratic. And as a consequence, on the substantive side, perhaps brings in greater timidity to the field.

I think that outcome-oriented philanthropy and everything that goes on under that rubric, is a recognition that the pendulum has swung too far in that direction. We need to break out of that forty year paradigm, which is an entirely good thing. I think it still keeps one foot firmly planted in that world of process and procedure, which again cuts both ways. I think there are three characteristics of that approach, and I don't just mean Paul's article, but a lot of the things that have gone on over the last few years under these labels.

There are three characteristics that jump out at me as potential limitations of some of the new things we are talking about. One of them would be that humans have this tendency, which gets magnified in philanthropy, and especially in foundations, to vastly overestimate our ability to sort out cause and effect relationships, to properly attribute causation, and even to define outcomes. One of the other debates over healthcare reform is that while quality is everyone's goal, no one knows exactly what that means. They can't even come to an agreement on what is quality care. There was an entire presentation on how we don't agree on what healthcare means. So how can we debate fixing the healthcare system when we don't agree on the outcome?

There are two books that have been published in the last few years that I think, while they may not even mention philanthropy, should become really standard reading in the field. One of them is John Kay's book [*Obliquity*](#), which I don't think he mentions Michael Porter but it's almost an anti-Michael Porter tract on strategic planning and the fad that has swept the business, government, and the non-profit sector for the last thirty years. It's a terrific, pithy read. The other book, which is a little bit denser but is terrific, is Kathryn Schulz's book [*Being Wrong: Adventures in the Margin of Error*](#). I think that should probably be on the desk of everyone in every sector of the economy but especially in philanthropy and the non-profit sector. There has been a lot of good work in behavioral science and behavioral economics, but I think we still overestimate our ability to define these things, to identify the causes and effects, and the outcomes.

A lot of the recent talk in philanthropy has been about problem solving, systems thinking, and approaching issues as complex systems. This is a good recognition that a lot of the challenges that we are facing are interconnected. Healthcare again is a perfect example of interconnected and complex relationships. It's a challenge in the sense that I'm not sure that we can really, definitively solve an issue, just like education or poverty. There is not a defined endpoint and it's almost a two steps forward one step backward kind of approach, where every set of successes that we have opens up a new set of challenges. It's not an argument that we should just throw our hands up and do nothing, but it's the sense that we should recognize that there are these complex feedback loops and the goal posts and the outcomes are constantly shifting. So to Paul's point, I think you would probably agree that this underscores the importance of evidence and feedback, and to some of the points in the books that I mentioned, we are going to have to revise our outcomes and revise what is possible. We have to ask if we are even targeting the right causes and the right effects.

This underscores for us this sub point about the importance of language in philanthropy. We have a tendency to adopt things from the government and business world, and use very slippery language. I think one of those is risk taking. Paul talked about this a bit and I think we can too easily confuse, and I'm speaking about this purely from a foundation perspective so I'm excluding the grantees and non-profits here, but I think we can easily confuse risk taking and a high or low risk with the probability of success. If Kauffman or if Hewlett gives a grant or launches a grant program, there is almost no risk to the foundation, nothing happens to us. We live an incredibly cocooned existence, so we need to be careful with the language that we use to describe our actions.

The last point is that I think it's entirely good, and Paul's done service not only in his article but also in his career in law, to get to precision and clarity and specificity in outcomes as a good thing and that can sort of counteract some of the more slippery linguistic problems we face. However it's also important to step back and reexamine the starting presumptions and assumptions that we operate under. One of the ones, well it's not even implicit, that has explicitly underwritten this movement of outcome-oriented philanthropy, is that philanthropy as a whole is underperforming and that the chief culprit of that underperformance is a lack of a clear external accountability mechanisms. I am very broadly sympathetic with those views and in a forthcoming essay I discuss this. However it's also important, even though I hold those views

and I am sympathetic to them, to challenge them. As to the latter, it's true and this has been a debate in philanthropy for a number of years, that businesses have shareholders and the government has voters so there are clear lines of accountability in those sectors. However it's certainly not true that those sectors have been immune to underperformance. I don't think that anyone would say that business and government are over performing, at least as a whole, especially here in Washington.

I think the reverse is also true. We can point to a lot of examples over the last ten years, thirty years, one hundred years, and Dr. Katz has done an excellent job of highlighting those of achievements or over performance in philanthropy. Joel Fleischman wrote an entire book filled with all these examples of high achievement. I think if we look at those achievements where we find a grantee and a foundation working together or individual donors, we often find that they are operating out there on the frontier of ideas, imagination, and creativity. However by definition when you're operating out on the frontier you don't have and you don't want to have external cues or reference points. If you're trying to do something new and you're going to measure yourself by existing or old standards, you're not going to get to do something new. You have to create those reference points and we talk a lot about this at the Kauffmann Foundation, in part because we study and fund entrepreneurs. And when we look at entrepreneurs, the kind who are seeking to do big things, they are not always going to succeed but even when they fail they're self-referencing, they're trying to measure themselves by their own standards. So it might be a hollow worry, but I worry that a convergence toward standards and best practices will ironically obscure the outcome that I think we all share, which is a high performance or high achievement for non-profit sector as a whole.

STANELY KATZ: Thank you very much. I feel a bit like a fossil here but I'll try to go on. I want to thank Bill for the invitation to come here and to express my admiration for what you and the Bradley Center have been doing. This is the most open and best forum on philanthropy I know about and we are all grateful to you for doing this. And of course, I want to thank Paul. Paul and I have now, in the course of his career at Hewlett, several times engaged in discussions of this exact subject. It's always been fun to do that and I have to say that he has done a wonderful job. I very much regret that he's going back to teaching law but I have a hunch he is not going to lose interest in philanthropy, so we'll look forward to what he has to say from here on in.

I'm not going to criticize Paul's piece both because I don't have much to criticize in it but also he makes it very hard to criticize it because he is so generous. He has become so much more open on this question over ten years, that he's covered himself on almost all the points in which we earlier disagreed more vigorously. He begins by saying—

PAUL BREST: I've learned Stan, I've learned from you [LAUGHTER].

STANLEY KATZ: Of course for the last century philanthropy has always been outcome-oriented, which was my point some years ago when we first discussed this in public. Although we still might not agree on particular accomplishments or lack of accomplishments by a foundation, it is a generous piece and I think is an extremely thoughtful piece. So Paul's views and the idea of strategic philanthropy certainly don't bother me at all, although I think that some

formulations of the complex of ideas that Paul is talking about are extremely problematic and are causing very serious problems in the field.

I think what I had originally planned to say doesn't fit anymore, having heard what has already been said. So I'll switch gears a little bit and say that I entirely agree with what Dane just said. This strikes me as an extremely useful way to think about this particular set of problems. So let me make a few very general comments. The most general one would be that I don't agree at all with Peter Frumkin and we can talk about that another time. I think obviously the Tax Reform Act of 1969 was an important moment in the history of foundations and philanthropy. There certainly were some significant changes in performance but apart from the caricatures of foundation performance at that time, which I think were more personal than anything else, I don't think very much has changed in terms of the way large foundations think about what they do.

After all, the brut fact of law and philanthropy in this country is that it doesn't much matter. You mentioned accountability. We have almost no legal mechanisms for accountability and the field would be a very different field if we did. I challenge students in my classes by saying that I think that in America philanthropists can do anything that is not criminal, and I'm prepared by the way to defend that proposition as a matter of law. No other country that I'm aware of has such a broad legal definition of philanthropy, so it gives those people of means, institutions of means in our society tremendous running room. So from that point of view, Peter's formulation for me is much too narrow.

What I think is much more important is that not only are the goalposts changing, but that the field is changing. I have been studying the field now since the early 1970s, and the United States has changed so incredibly over that period of time. This has had a tremendous impact because it is not an independent field. It is part of a context in which government, business, and civil society interact and at the very least those three factors have changed so profoundly that if you go back to the start of the Great Society, and if you move ahead to the late 1970s or certainly to the early 1980s, you see the profound conservative reaction against exactly those kinds of ideas, behaviors, and institutions. We begin to develop a whole new set of practices and institutions in response to them; among them is conservative philanthropy itself, which is largely a function of the 1970s. You move on into the 1990s and you get the reforms we saw under the Clinton Administration, which moves us slightly back in the original direction but only slightly. Then we move on to the period we are in now.

At the same time, one other thing that is changing is the growth of both civil society organizations, and more significantly I would say, grantmaking organizations. We've spoken about grantmaking organizations as though they're generic; well they're not. There is a tremendous range of organizations. If you look at the number of 501(c)3s in 1970 and in 2010, there is a tremendous enlargement in the number but also in the scope of the institutions; in the ways they behave. Of course, exactly the same thing is true for grantmakers; not only are there so many more grantmakers but they're grantmakers of a scale we never saw before. If you take the largest fifty foundations as of last year and compare them to the largest fifty foundations in 1970, you'll see that they are two different sectors. So it's not surprising to me that we think about foundations and grantmaking differently, depending on where we are in that food chain. So

I don't think it's very helpful to speak about the sector as a whole. I think you really have to disaggregate.

What comes along with all of that is the profound change in the welfare system in this country. This is my little narrative from the Great Society, in which we in this country begin to move toward the welfare state in a manner that we haven't at any time before. Then we begin to try to disassemble that in the 1980s and we do mainly to the extent that we change patterns of federal funding of civil society. We move from block grants and direct government support of these organizations to the indirect support that we have now; that is payments from the state to individuals through food stamps and other kinds of transfers. That is an environment we are still in now, and all the time civil society is scrambling to keep up with these kinds of political economic changes at the top. That is the context to me that matters and until we think about what we're interested in, philanthropy and civil society, and put it in that broad political economic context, I don't think we can get very far.

I want to change course and just comment on two other things; one is what worries me in the kinds of developments that Paul is talking about, it's not the overall pattern, it's not outcome orientation. It is some of the process conclusions that come from that. Let me just mention a couple of them. One is the idea of scalability that Paul mentions in his article. How important is it that innovations are scalable? I can understand from a certain kind of organizational point of view why that is important, but I think it's not always important. One of the qualitative judgments that has to be made is, when is it worth privileging scalability?

The other one that we haven't talked about here is time. What is the longitudinal dimension of what we do? Paul has referred to that by saying upstream and downstream and I think that's an inelegant way to talk about what I'm talking about, but we know what we are talking about. It makes a big difference and there's been a huge change in philanthropy because philanthropy has changed from the *longue duree* to tomorrow too often. I realize that I'm making a very general statement, but we are privileging what happens in the short term to an increasing extent because of the burden we increasingly put on ourselves to make it a better world as quickly as possible. One can understand why that is but a point that I've been trying to make for a number of years, and Barry Karl did with me, is that in doing that we lose something. The *longue duree* has a lot to be said for it and I think particularly in philanthropy.

Finally, I just want to comment on the notion of evidence. Who is against effectiveness or who is against good outcomes? We're all in favor of both of those things. Who is against evidence-based decisions? This I find is one of the most upsetting mantras around because nobody other than an idiot is oblivious to the evidence, nobody wants to ignore the evidence, but Dane actually made the point that it is not always so clear what the evidence is on the one hand or how to understand it on the other, and frequently we don't have adequate evidence. Does that mean that we should take a hands-off attitude where we don't have such evidence, and my response to that would be not always and it's *that* more than risk that concerns me in all this.

And finally, I think the ghost in the closet here is social science. It's usually not mentioned, although Dane certainly referred to it and Paul does all the time, that we can't do good philanthropy without good social science. If we're going to understand what the evidence is, if

we're going to interpret the evidence, we need better social science than we have now. Yet the fact of the matter is, at least in the elite institutions, social science is heading in exactly the wrong way. Some of you will recall that Paul Krugman wrote a piece on what's wrong with economics in the *New York Times* magazine. He said that economists have gone wrong because they've given up truth for duty. I think that is exactly right and it is increasingly true of political science. Sociology, I would say, for the moment is doing better but in the great universities in this country you can no longer get tenure by doing good empirically-based policy research. The prizes all go to people who do much more abstract theoretical model building kinds of work. That is very interesting and I admire the people who do it well, but they're not going to save the world and what we need is to go back to what some of the earliest philanthropists did, which was to build social science in order to save the world. I think that's what we need to do, thank you. [APPLAUSE]

WILLIAM SCHAMBRA: Professor Katz's early work with Barry Karl was very much focused on the centrality of the first big American foundations to the formation of social science in America, which is why you and others have suggested the notion that outcomes-based philanthropy is not a new thing. It was all about outcomes. It was all about transcending mere charity and getting to results from an understanding of social science. Paul, I wonder if you would comment on this question of the elusiveness of understanding impact, the elusiveness of results? As everyone has said, of course we are interested in outcomes but how are we going to understand those outcomes in anything other than a very pedestrian way? And also feel free to respond to any comments that you heard from our panel.

PAUL BREST: Well let me start there. I want to argue that I think in some sense, ultimately, much philanthropy is about units delivered and that's okay, but it begins with clarity about goals. The reason for clarity about goals is that otherwise you can't decide whether you are being effective. Also it is not just a matter of time, sometimes it's a matter of supporting organizations. Supporting the Poverty Action Lab is not just a matter of time, it's supporting something that has a lot of different potential for a lot of different results, but a lot of the issue is time. You need to have clarity of goals, even if the goals change as you implement them.

I think that it would be a mistake to think of health as a goal or quality of health as a goal. As soon as you get into the weeds, and I suspect Dane has done this, if you talk about health as a goal then have to say, whose health and under what circumstances? If you are talking about a particular disease, what is your goal for improving diabetes over ten years, it's not health in general and I don't believe that anybody at your conference thought that quality was the only goal. I mean you only have to participate in any of the U.S. debates over the last five years or so to understand that we're looking for quality and also looking for cost effectiveness. I was talking to someone who is doing investments in bottom of the pyramid cataract surgery in India. Their ability to serve many people at a low price requires having a lower quality of care than there is in the U.S. In the U.S. there is the quality of what your vision is going to be afterwards. In India, cataract surgery assumes people will have to wear glasses and yet is able to do that. So you have to be fairly precise, especially in the health area about goals.

I completely agree with Dane and Stan's point that in the social sciences we are never going to know for sure what works, even if we know that something works. We can't be sure that the

same deworming strategy that works in one part of Kenya will work in a different place. Just like the huge amount of decision making that we all make in our lives, philanthropy has to make its decisions in conditions of uncertainty. I teach a course on this, not in law but in the law school, that at any given time you have to make a decision based on what you know and be modest about what you don't know. And that has a lot of implications, one of which is spending resources to figure out what you don't know in order to make better decisions in the future. But it's not an argument for not doing anything based on social sciences, it's an argument for making the best bet and, in case you think you may be drastically wrong, hedging the bet.

WILLIAM SCHAMBRA: Professor Katz, your point then comes in and I think that is that social science, at least at it is practiced in the universities, seems to be less and less relevant to the kind of decision making that Paul is talking about.

STANLEY KATZ: Well that is my concern. It's not necessarily true everywhere but increasingly in the elite universities the incentives for doing the kind of work that we're talking about are fewer and fewer and that worries me because I think we need to find ways of getting the best social scientists of the future to be worried about social problems and to be worried about the application of social science to the solution of real world problems.

WILLIAM SCHAMBRA: Just one last thing, Paul, if you could say something about Heather's point that grantmaking needs to take its bearings from the stakeholders and the people that are actually executing the programs. I understand that that isn't your belief necessarily, but when you begin to do that don't you end up with a great variety of approaches in such a way that it almost becomes impossible to speak comparatively about what is working across larger areas?

PAUL BREST: I completely agree with Heather and I don't know why it makes it difficult, which is that it all begins with the grantmaker's goals. As soon as you have goals, you have selected a very small number of possible grantees. If you're interested in curing cancer then my guess is that there are few people in this room that are potential grantees. There are a limited number of strategies, you may support research or you may support advocacy to cut down on smoking or cut down on other causes of cancer. A decision like that may be made based on effectiveness; it may be path dependent and a foundation that already has medical expertise is more likely to choose the medical route.

It starts with your goals and at that point it becomes a conversation with your grantees. It doesn't even have to do with respect, it has to do with being effective, if you're top down. It's not going to work if you don't have conversations with the grantees and if you don't get grantee feedback, so I actually completely agree with Heather. I think one of the phenomena of the last ten years that has been very good for foundations is the Center for Effective Philanthropy's [Grantee Perception Report](#), which gives anonymous feedback to foundations of how their grantees perceive them and what a royal pain we are or not in working with them.

STANLEY KATZ: To give Paul and Heather a tagline, my favorite all-purpose quotation which I bequeath to everyone is from Aristotle and it's, "Everything that is necessary is necessary upon some hypothesis." To me, that is exactly what you're saying.

WILLIAM SCHAMBRA: Let's have some questions from the audience. Why don't we have Martin Wooster; Martin has an [op-ed](#) in the latest issue of the *Chronicle of Philanthropy* for those of you who don't know, go ahead Martin.

MARTIN WOOSTER: Hi, I wrote a book called [Great Philanthropic Mistakes](#). You might say it was a critique of outcome-based philanthropy. I have two classes of grantees that I wonder if outcome-oriented philanthropy works. First, does it work in the arts? You can say that we funded X number of operas or twenty thousand people went to our concerts, but if you have someone who is trying to support a particular kind of art, say romantic or sculpture or paintings, it doesn't seem to me that outcome-based philanthropy gives you enough information to judge whether or not your grant was useful. Just because a certain number of pieces were created, it doesn't tell you whether the pieces were great art or whether he was a second Thomas Kincaid.

My other question deals with grants that are based on spiritual methods. For instance, if you are a Christian poverty fighter who wants to give money to make sure that poor people come to your shelter and learn biblical skills to become able to enter the workforce, you can say we serve twenty thousand people in our shelter, we fed X number of meals, but it just seems to me there are valid philanthropic goals that you can't really measure with outcome-based philanthropy.

PAUL BREST: So since we have a performing arts program at The Hewlett Foundation which supports music, theater, and dance in the Bay area and since it has gone through an outcome-oriented strategic planning process, let me just describe some of the things that we care about. It is not about how large it is or how large the audience is. We think in terms of the entire ecosystem, so we support some small edgy performance groups, which if they get twenty people they are lucky and we also support the symphony. But one important outcome is serving the community, so we care about who comes because we care about the Bay area as a whole. We care not only about San Francisco but also about supporting the surrounding areas and communities.

We care a lot about quality, not just the number of things. We don't commission works but we do support performances. My guess is that everybody who is here that goes to see the art form of their choice cares about quality. That is what review is for and that's an example where there may be a lot of diversity and views about whether something works, but on the whole, we think that we have a reasonably good take on the art forms we support—what's really crappy and what's really good and exciting. I can't speak on the spiritual methods of entering the workforce but what I can say is that I'm skeptical whether one can measure whether someone has become a more spiritual or more religious person. You can test whether this particular program is getting people into the workforce.

STANLEY KATZ: I disagree with Paul strongly on the arts. Many of the great foundations support the arts in their locality I think primarily because of the potential of the arts for community building and their sense of responsibility to their own community. However I think there are also great examples of large arts programs that have pretty clearly been effective. My hero in all of this would be McNeil Lowry at the Ford Foundation, who over a long period of time managed the first large foundation arts program and succeeded in doing a lot in terms of building infrastructure in arts organizations. He had a very clear vision of how philanthropic

funds could be applied to build an entire field. Also what the Wallace Foundation does in terms of audience building is a technique itself. So I think there are a lot of good examples of that.

Q: My name is Jeff Raderstrong from Venture Philanthropy Partners. All of this is from the perspective of a grantmaker, which makes sense, but I think it's important also to look at outcomes for society as a whole. Paul, you started by talking about how this was all sort of agnostic towards goals, but it's really about those results. So for me this whole conversation is a little bit limiting because we're not talking about whether society is better off as whole. How do you get at that? I know it's a big question but it just seems like if we don't start thinking about that, then what is this conversation going on for?

PAUL BREST: Well let me take a first crack at this and then I hope others on the panel will respond. Different philanthropists have different views about what makes society better off as a whole. For example, there are philanthropists who support choice and there are philanthropists who support anti-abortion. There are philanthropists who support gun control and philanthropists who support the right to carry guns. Each of those has different views about what makes society better off.

To come back to the earlier discussion of accountability, one of the things that I think is wonderful about the non-accountability of the non-profit sector and philanthropy is that it allows for multiple versions of what makes society better off as a whole and I think the U.S. is probably unique in encouraging those multiple versions.

HEATHER PEELER: I would support that. I think the challenge of making society better off as a whole is that it is almost too big for any one foundation to influence. Also grantmakers have limited dollars, so they are thinking about their own effectiveness and where to invest those dollars. To Paul's earlier point, you have to be a little bit more narrow and specific in terms of what any one individual is trying to achieve. I would say that from the perspective of accountability, I think it is the grantmakers own individual accountability that matters first. Certainly there is an accountability to the public in the sense that these activities are subsidized in many of respects by taxpayers. So there is certainly an accountability there and accountability to the community, but what I think has to be the driving point around accountability is having goals that are clearly defined so that you gauge whether or not you're making progress. I think that is what's critical. So collectively perhaps that adds up to broader societal change, but I think for any one individual, foundation, or philanthropist it would have to be a smaller step.

DANE STANGLER: I'll just use the first part of your question as a jumping off point, that this is mostly from the grantmaker's perspective because I think it highlights how foundations and philanthropists define their outcomes in the first place and then how we sort of revise them. We do a lot of work in education and over half the foundation is involved in education and most of that is in Kansas City. Kansas City, like most metro areas, has terrible urban schools. So we've done a lot of work on extracurricular outside school programs and we've run one called Kauffman's Scholars for going on ten years. The outcome that we specified at the beginning was college graduation. It had a horrible record in Kansas City schools, as with a lot of other urban school districts, so we've dutifully poured lots of money into it, ran a lot of programs, had lots of studies, brought in outside researchers to study it. College graduation is a good outcome. It's

good for the economy, it's good for society, and it's good for those kids. So it turns out that it's not a universally good outcome and it's not actually what was wanted by everyone in the community. We had done all the research that defined this as a good outcome, and maybe at the beginning it was because there was such a terrible record of it. However ten years is a lifetime in terms of how the economy is changing. Now we're revising that outcome and making it more multi-faceted. Maybe it is preparing them for economic success. Maybe that is a better goal because it encompasses a larger range of outcomes, but I think that highlights your point that foundations, philanthropists or grantmakers at large, we also have this tendency to appoint ourselves as outcome determiners. We can do all the research we want because the letter clearly says college graduation is a good thing, even though it may not always be. And that doesn't mean that kids shouldn't graduate college, it means that there is another route to success.

STANLEY KATZ: Well I'll just comment briefly that I think the most interesting way to think about that question is comparatively, because I think what is so distinctive in this country is the size of the philanthropic sector, the size of the civil society sector, and I think we in the United States could learn a lot by comparing what we do with the way other countries, other cultures approach exactly the same kinds of problems. We brag about the diversity of our sector but it begs the larger question of how is civil society situated vis-à-vis both this state and the market; that is what is contested in our country.

WILLIAM SCHAMBRA: Pablo Eisenberg had an [op-ed](#) in the *Chronicle of Philanthropy* not too long ago and he raised the question about foundations' goals and purposes, and he suggested that they were not adequate given the resources and the needs of society. It generated quite a bit of response on the website, and an awful lot of the response was, 'Who are you to say what this wonderful fortune should be devoted to? It's none of your business. He made the money and he should therefore be able to spend it however he wishes and without criticism, without people like Pablo saying society has a larger need that needs to be addressed.' There is this absolute respect for donor intent, which of course is a very important thing because otherwise people wouldn't enter the field in the first place. But is our discourse on philanthropy constricted by this reluctance to criticize wealthy people for doing whatever the heck they want with their money?

PAUL BREST: Why should somebody be immune from criticism just because they're rich and spending money? Of course people should criticize. A lot of my writing criticizes means, but it seems to me that it's completely legitimate to criticize goals. It seemed perfectly appropriate to me for people to think that Leona Helmsley leaving a large fortune to her dog was a deeply inappropriate thing to do.

HEATHER PEELER: Donors get a tax benefit, so there is the expectation that in exchange for that tax benefit they are going to do something that is for the betterment of community. So I think it's appropriate for the community and others to question and for grantmakers to be able to defend what they are doing. If they don't want that scrutiny then they should give out their money through other means or mechanisms.

WILLIAM SCHAMBRA: We had a panel incidentally on Leona Helmsley entitled, "[Is Philanthropy Going to the Dogs?](#)" [LAUGHTER] And speaking of Pablo, here is Pablo.

PABLO EISENBERG: I want to raise a question about what are probably the most elite institutions in the country, namely foundations composed almost entirely of wealthy and highly paid professionals. The question is, what impact does that have on both outcomes and effectiveness and were that to be changed somehow, if boards were to be democratized, would that change the outcomes and effectiveness in your view?

PAUL BREST: I think that if boards were democratized and the foundations were truly representative of the country or their local populations, then goals would be very different. I think we would have more funds going to different things. I wouldn't want to predict what they are, I would hope it would not decrease effectiveness. The argument that I make in this piece and others is that effectiveness is the core way that we've been describing outcomes. It's not that you have different approaches to effectiveness in terms of having goals and strategies and evaluation for community-based work than you do for cancer research, but I have no doubt that it would affect the goals.

STANLEY KATZ: Pablo and I actually discussed this not too long ago but what's interesting to me is that there was a time about thirty years ago where there was a lot of public discussion about making legal requirements for public representation on foundation and other boards. I agree entirely it would make a real difference if the Gates Foundation was required to have one or more public representatives on it and likewise with every other foundation, but as far as I can tell that discussion has gone away.

What has happened though is that if you look back over the last forty years or so, the foundations themselves have felt an obligation to become more representative than they used to be. When Barry and I first wrote our early chapters on this, all trustees of foundations were white, male Protestants who more or less went to Amherst, Harvard, or Yale. It was a pretty narrow set of people. No woman ever sat on the board of a major foundation until after World War II, and then other kinds of Americans began to be appointed. So there has been a very significant increase in the representativeness of many of those boards and I think if you look at what the foundations have done since then, it has made a difference.

HEATHER PEELER: I'd like to address that as well. I think both in the social sector as well as in the private sector there is a movement or interest around empathy and the role of empathy in driving performance. At GEO we partnered with Jump Associates, a strategy firm looking at those organizations both in the private sector as well as in philanthropy that have widespread empathy and what that leads to in terms of results on the ground. So we define widespread empathy as having that intuitive sense of what your customers or constituents need and wants are, and when that is integrated throughout the organization you make better decisions and there has been some evidence of that for philanthropy. So what that could look like is having staff that have actually worked in non-profit organizations or having decision-making bodies that are representative or reflective of the community that's being served and so many foundations are moving in that direction.

Q: My name is Ruth Lubic and I'm a nurse/midwife and an anthropologist. I would like to ask the panels opinion about an almost outcome disoriented pattern of giving, which is the

MacArthur Fellowship, the so-called “Genius Awards”, and whether that has made any impact on the field of philanthropy.

STANLEY KATZ: I’ll have the first go at that since the *New York Times* calls me about every ten years to ask what I think and I always give the same answer, which is I think it’s the stupidest program ever in philanthropy. [LAUGHTER] It’s for Paul’s reason actually, since except from time to time, they haven’t been able to say what the prize rewards. You can’t create an incentive to certain kinds of behaviors unless you make it perfectly clear what kind of behavior it is you wish to reward. That is the first problem. The second problem is that very often nothing succeeds like success and the awards have gone to people who have already succeeded, so that the prize itself isn’t an incentive to those individuals. For the most part I think it hasn’t been very effective in finding individuals who are otherwise unrecognized and propelling them onward in their careers and I speak as a former spotter for the MacArthur Foundation.

PAUL BREST: I was told, and I don’t know if this is actually the case, that Jerome Wiesner, who was the author of the award, who was the former president of MIT and on the MacArthur board, had a theory of change and that it was that it would identify people who otherwise would not be able to make great contributions. However when you do work upstream, as anywhere else but more there than anywhere, you want to actually see whether the theory played out and I just don’t know whether that has played out. My guess is pretty much like Stan’s.

DANE STANGLER: I won’t comment directly on the MacArthur Awards but for a sector that has little if any mechanism of external accountability, foundations are really bent on garnering really good PR. We have this really big desire to get good press and I think it, mostly in bad ways but some in good, shapes a lot of what we do.

Q: Hi, I’m Sue Hoehstetter with the Alliance for Justice. Heather spoke about the GEO study that found that funders that are more empathetic are doing better, are more effective and the panel seemed to agree with democratizing boards and getting more feedback from those effective funders. However, we discussed this at an earlier event here and one of the speakers upfront said, ‘Well, foundations don’t have to do that and it’s not going to take off.’ So there have been baby steps, there are some funders that you hear about that actually engage groups in their grantmaking for input and do a wide variety of other things to bring in more community input but given that we know that there is some effectiveness when funders listen more and that there’s some agreement in this group that that’s a good thing, what can we do to make this become more of a practice within the foundation world?

WILLIAM SCHAMBRA: Just reinforcing the question a little bit, The Center for Effective Philanthropy consistently finds, more or less, that foundations are bad listeners of their grantees. And in spite of the fact that they keep reporting this every year, I’m not sure that the Center has found a lot of progress against that. In the case of the Gates Foundation, they have been quite opaque and difficult to figure out by grantors and by their grantees. Gates consistently says that they’re going to do better next year and that sort of a line appears in every annual letter from Bill Gates i.e. we’re aware that we’re not doing well and we’re going to do it better next year; but it doesn’t seem to change.

PAUL BREST: On the whole, the lack of formal accountability is good. It doesn't mean it's optimal but philanthropy in some sense is a stronger field because there is more shared information, but it's a very weak field in the sense that there is no leverage other than criticism. That is why I think that Pablo's writing, even if I disagree with him, and the National Committee on Responsive Philanthropy, which I had a lively argument with in blogs, I think these are very important sources of trying to get foundations to do what people think is the right thing. However you can't make anybody listen. You can just hope that once in a while no matter how protective a foundation shield is that enough criticism will get through.

DANE STANGLER: This sort of reminds me of HR policies where you have your annual performance review and the expectation that this is a magical time when all the bad stuff about the employee will come out and you wait until then to tell them what a bad job they're doing. If you're waiting for a grantee survey or performance review to tell you what a bad job you're doing, then something deeper is wrong at the foundation and it's not just an accountability issue. It's a common sense issue, and in my experience a lot of people are not shy about telling you that you are not being responsive and that you're doing a terrible job; probably not enough. So then maybe there is room for another foundation to come in and do a better job because they're actually doing something that other foundations aren't. If foundations acted like rational actors they would do that, so I think it's not just an accountability issue.

PAUL BREST: Foundations don't get that feedback. It's interesting; the CEP scale starts at the giant economy side and goes up because even people who are annoyed at foundations on the whole, they don't walk away.

DANE STANGLER: I'll send my emails to you. [LAUGHTER]

PAUL BREST: I agree with you. I agree with the aspiration. I actually don't think that's what is happening.

WILLIAM SCHAMBRA: Was that a surprise for you, Paul, when you came into this field from law, where the discovery of truth is a process of back and forth and defense and prosecution, to see how little of that goes on in philanthropy and to what do you attribute this?

PAUL BREST: I have a very clear explanation. I went from being dean of a law school where faculty, students, and alumni told me what I was doing wrong every day, to the Hewlett Foundation and somehow within two months I think I underwent a personal transformational change and I became almost perfect. [LAUGHTER] And the interesting empirical study is on September 1st, how long it takes me to go back to just being the jerk I was before [LAUGHTER].

Q: Hello, I'm Greg O'Neil. I'm director of a think tank on population and aging here in Washington D.C. As a grantee I've been a benefactor from a unique type of grantmaker, limited life foundations. I don't know how many there are in the total sector but some of the things we are talking about today on the panel would look probably look very different through their lens. For instance, there was an example of an eight year operating grant; well these foundations weren't even around for eight years. They were around five years total. So I wonder how you

might frame some of the discussion, or if there had been a person on the panel from a limited life foundation how that might be considered?

STANLEY KATZ: Can I just comment from a scholar point of view, just in the last few years there has been an increased amount of attention to limited life foundations and Francie Ostrower, who is now at the University of Texas, wrote a wonderful piece just a few years ago called, "[Foundation Sunset](#)." There is a lot more interest in creating limited life foundations now, although the idea was there at the very beginning of foundations in the early 20th century. Certainly there are now a lot more and I think many more new donors are considering that as an option. The difficulty is that because there hasn't been a great many of them, particularly in recent years, our data isn't very good and it's a little hard to generalize on them, but there is beginning to be some good scholarship on it.

DANE STANGLER: Stan is right that there are more and more of them and usually the one that jumps out to people is the Gates Foundation because they put a large limit on it. However it is effectively a century long, so it is a limited life foundation but it can effectively go on for a century.

A few years ago Bill had a [panel](#) on Ray Madoff's book, *Immortality and the Law*. The book dealt with statutes on the record that enforce the power of the dead, in her terminology. So she did have a couple of chapters dealing with philanthropy and donor intent. However I agreed with very little in her book, except for her advocacy for more limits on perpetuity. If you had twenty five or thirty year limits, that's not perfect accountability but you are getting to something. We've seen a couple of the foundations that have gone out of business, most recently the Olin Foundation and that's an outlier, but hugely effective in terms of what they were trying to accomplish.

STANLEY KATZ: You know, when the Rockefellers originally wanted to get a congressional charter for what is now the Rockefeller Foundation they were willing to agree to a 25-year limitation, which turned out for political reasons they weren't able to get. They went to Albany and they got perpetuity instead. However if Congress had been willing to agree at that point we wouldn't have a Rockefeller Foundation anymore.

What is interesting to me in the most recent scholarship is the study of the problems of winding down, particularly when you look at a very large foundation like Atlantic Philanthropies, which is winding down now. It is not easy to develop a strategy over a relatively short period of time, ten or fifteen years, to spend billions of dollars and to do that in a way that stays true to your purposes and faithful to your grantees. It turns out to be quite tricky.

DANE STANGLER: You kind of go from one problem, spending the 5 percent and not accomplishing much, to having billions of dollars and it's overwhelming. So yes, it is another problem.

WILLIAM SCHAMBRA: The subtitle to Ray Madoff's book is, *The Rising Power of the American Dead*, which is one of my favorites [LAUGHTER]. We had a [panel](#) not too long ago on Olivier Zunz's new book, *Philanthropy in America*. It has a very interesting chapter on the

degree to which the first step in the establishment of the large modern American foundations was severing the foundations from very specific and time-limited goals and enabling this larger focus on universal goals in perpetuity.

Q: I'm Terri Langston and I'm a consultant at The Open Society Foundations. I wonder if Professor Katz has any data on the tendency of philanthropy to be overtaken by lawyers; and not only at the higher levels in foundations but even on the program officer level. It hasn't seemed that any other discipline has been so prevalent in the professionalization of philanthropy in the last forty years. Every time I tried to articulate frankly the problems I saw with this, I found myself skating on thin ice, and so I just wonder have you seen that tendency and is it a good thing, Paul, to have so many lawyers involved in this field?

PAUL BREST: I think I'll ask Dane, he's a lawyer. [LAUGHTER] First of all, I'm not sure whether the premise of your question is right. It would be interesting to look at the top fifty foundations and see how many are run by lawyers or former lawyers. Just doing a quick mental tally, I'm not sure it's all that many. Personally I was a lawyer for two years in the Sixties and then the rest of my time I was a law professor, and I think law professors are more like other professors than they are like lawyers.

However we do have a general council, in part because foundations that are engaged in supporting advocacy need to be very clear about lobbying rules and foundations that are supporting work in developing countries need to do a form of grantmaking that requires much greater scrutiny than giving to a 501(c)3. So that is why we use lawyers. I could make some self-serving remark about how lawyers are good problem solvers, but you would burst into laughter so I'm not going to try that.

STANLEY KATZ: I'll make just one comment, which I think law is general education for many Americans and it's not surprising. I think it's a good thing, as a law teacher, that so many of our most interesting graduates go on to public careers and other fields; it's not a bad form of general education.

WILLIAM SCHAMBRA: No comment Dane?

DANE STANGLER: Well I'm bias. [LAUGHTER] I don't have the breadth that Paul does in terms of being able to do a mental scan of the field, but I agree that it doesn't strike me as a particular problem. You kind of want them around, not just because of advocacy but because of all the laws and regulations that foundations have to deal with. We hired a professor from a university last year, and universities aren't exactly free of a legal thicket, but he has really been greeted rudely within the work he does, the amount of things he has run into in terms of IRS restrictions. He is not a lawyer, so I obviously agree with Stan it doesn't strike me as a huge issue.

WILLIAM SCHAMBRA: That's interesting because, Stan, you were saying that on the one hand there is a thicket of law that governs philanthropy, but on the other hand there is an enormous amount of freedom that you were referring to earlier. How does one reconcile these two points?

STANLEY KATZ: I don't think there's a contradiction between the two. A lot of what we're talking about is regulations and that area of law, as opposed to the underlying norms that govern behavior. There are very specific statutory limitations, particularly the political activities limitation. However on the other hand if we talk about purposes, which is what we're talking about today, there are almost no restrictions as to purpose and that is really what characterizes the U.S. philanthropic tradition.

PAUL BREST: Right, the exempt-organization restrictions, the IRS, and even state restrictions are very narrow. They're deep and they can be unforgiving, but they're very narrow.

Q: My question is for Stanley Katz. You made the observation about short-term versus long-term in philanthropic goals, and I wonder if you could elaborate that. I just came from an event this morning featuring two U.S. senators on innovation policy in the United States and it was about the short-term versus the long-term focus of industry and the need to encourage a long-term focus. Just to motivate it into the context of philanthropy, in Washington D.C. think tanks are a major recipient of foundation funding and some people would argue that they all laud themselves for being innovative, but they have very much of a short term foundation, highly derivative advocacy oriented, taking other people ideas and running rapid, really developing intellectual capital which some would say is what they're supposed to do and what they often claim to do and is that a problem or not?

STANLEY KATZ: You asked about six questions, so let me try to answer two of them. One is the historical answer and that is one of the strongest themes of early philanthropy in this country, is that is what I would call long term. The Carnegie Corporation and the Rockefeller Foundation in the 1920s and on into the '30s aimed at very long term goals. Their purposes were very broad and they wouldn't meet the test, I think, that strategic philanthropy would put to them. We could talk about that separately, but they saw themselves as producing social good down the line and that didn't bother them at all. Their primary technique for doing that was investing in university research. They were quite happy, particularly in the sciences, to invest in research that didn't show any immediate results. For instance, in the 1930s the Rockefeller Foundation decided, in effect, to create the field of biochemistry. They didn't know exactly what that was going to produce, but it has turned out to produce quite a lot. However they could not have told you in 1925 what it was going to produce. That is the attitude that I'm talking about.

As to think tanks, that is a function of patterns of funding. In fact, the think tank as we know it exists again because the Carnegie and Rockefeller foundations were constrained politically from doing what they wanted to do—investing in social economic research. Research is what they did, so they set up, in effect, dummy corporations in order to do the research for them. They were called the Brookings Foundation and The National Bureau of Economic Research, and they were places where foundation money could go and do things that were socially and politically necessary but dangerous at that time for foundations to do. So at that point, they had very long-term agendas because that is what the foundations wanted. Today they serve different purposes. They have different masters when it comes to funding; they raise money in very different kinds of ways, so it's not too surprising that they're interested in the short term because that is where they get their money.

WILLIAM SCHAMBRA: Let's thank everyone for the panel.

[APPLAUSE]