

## Watchdog Redefines “Responsive Philanthropy”

### *The Issue Barometer*

As 2007 winds down and the season of giving approaches corporate philanthropy watchdogs are raising questions around the allocation of contributions, funding decisions, relationships between “funders” and “recipients” and the “agenda” of contributors. Perhaps at the crux of the issue and core of debate—beyond dollar amounts and how the philanthropic pie is sliced—is the question of to which extent corporate contributions appear to serve “public” vs. “special” interests. What are the public expectations of corporate giving? How prevalent are the discordant notes? What position are non-profits taking? And how might corporations respond? The National Committee for Responsive Philanthropy (NCRP)—a U.S. Washington, D.C.-based watchdog, research and advocacy organization that promotes philanthropy which serves the public good—approved a new five-year strategic plan September 2007. According to the fall 2007 edition of *Responsive Philanthropy*, the NCRP Quarterly, implementation of the plan is expected to lead to “more funders practicing responsive philanthropy in the years to come.”

*Barometer* spoke with Aaron Dorfman, NCRP’s executive director, about details of the plan described as a “fresh way of looking at a standard of excellence that we hope foundations and other grant-makers will achieve.” The conversation captured his thoughts on issues around the public’s take on corporate philanthropy, what the critics are saying, how to grow more constructive, collaborative partnerships between grant makers and non-profits and a “new” approach to measuring the effectiveness of giving.

*Barometer:* You outlined NCRP’s a “new” strategic plan, in the fall edition of *Responsive Philanthropy*. What are some key changes and why were they needed?

Dorfman: NCRP has become a lot clearer about what we’re trying to accomplish as an organization. People have always known that NCRP stands for accountability, transparency and social justice in philanthropy. But, having clearly articulated goals was something that was really needed. Our goals include:

- More funders providing support at higher levels for lower-income groups, communities of

color and other marginalized groups

- More funders employing grant making practices that are most helpful to their non-profit partners

- Fewer people and/or institutions abusing philanthropy for personal or political gain.

We are very focused on having a research agenda that supports an advocacy program that will lead to the achievement of these goals.

### **Beneficiaries under the Microscope**

*Barometer:* In your opinion, what are the “public” expectations of foundations regarding disclosure of corporate contributions and decisions on grant making?

Dorfman: I think one of the public expectations that’s come to light lately is that people generally believe philanthropy ought to benefit those with the least wealth and opportunity in our society. And many people are shocked to learn how few philanthropic resources actually benefit low income communities. In terms of foundation grant making, according to NCRP research using data from The Foundation Center, less than 16% of grants are targeted for economically disadvantaged communities. There have also been other studies, like the one done by Google.org, which shows that giving to benefit the poor is quite low. Many people expect that philanthropy should be doing more to help the poor.

*Barometer:* Which groups are the key beneficiaries of foundation largesse?

Dorfman: The majority of beneficiaries of philanthropic giving are the institutions that benefit people donating the money. For example, arts programs that patronize or their Alma Mater, which helps to strengthen the reputation of the university and the value of their degree. That’s primarily self-interested giving.

*Barometer:* Is emerging awareness of this situation helping to fuel public shock and even outrage?

Dorfman: There is surprise about where the money is going, but I wouldn’t say there is public outrage yet. The surprise might turn into outrage if the issue gets attention long enough and people really start to understand the connection between their tax dollars and the fact they might be subsidizing contributions to causes that weren’t what they expected.

*Barometer:* Which groups are expressing their concerns or sounding a public “alert?”

Dorfman: There are several, including members of Congress. Representative Xavier Becerra (D-CA, 31st District) who serves on the House Ways and Means Committee raised the issue of philanthropic contributions and the tax code about a month ago. Former labor secretary, Robert Reich, raised questions in an op-ed piece in the LA Times a month or two ago. He asked, “Is Harvard a charity?” and should contributions to the university be tax exempt?

I think grass root communities and organizations that represent communities of color and other low-income constituencies are raising the issue, including the Greenlining Institute in California and others around the country who have a hard time attracting philanthropic support for their causes. Rural organizations have also been raising the issue. They have been aided by Senator Max Baucus (D-MT), chair of the Senate Finance Committee, who is concerned that low-income rural communities get a sizeable share of the philanthropic pie.

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Radar Blip: “I’m all in favor of supporting the arts and our universities, but let’s face it: These aren’t really charitable contributions. They’re often investments in the lifestyles of the wealthy... It’s their business how they donate their money, of course. But not entirely. Charitable donations to just about any not-for-profit are deductible from income taxes...we should revise the tax code: Focus the charitable deduction on real charities.” Robert Reich, “Is Harvard a Charity?” Los Angeles Times, 1 October 2007

*Barometer:* Are corporate foundations demonstrating an awareness of such emerging concerns, and if so, how are they responding?

Dorfman: There are some good, positive trends in corporate philanthropy. It’s becoming more strategic and decision makers are more aware of the need to be more targeted with their dollars in terms of addressing issues of greatest need in communities. Most corporate giving used to be “reactionary” or responsive to whatever requests came through. They are now really thinking through their giving strategies. We’re also seeing increases in corporate giving. But, very few corporations give even close to what we would like to see as a standard, which is 2% of pre-tax

profits. However, some are and they are heading toward that number.

Radar Blip: “Greenlining has taken the lead nationally in urging financial institutions to quadruple their philanthropy from 0.5% to 2% of pre-tax income. This would increase banking philanthropy from \$1.5 billion a year to \$6 billion a year. At 2% of pre-tax income, Citigroup and Bank of America for example, both of whom are behind Wal-Mart in philanthropic giving, would each give 600 million a year.” [www.Greenlining.org](http://www.Greenlining.org)

*Do you solicit grant proposals based on issue impact or simply accept or decline requests received?*

### **“Real” Collaboration Creates Results**

*Barometer:* Looking past the act of corporate philanthropic giving, do you have any ideas for enhancing collaboration between grant-makers and the organizations they fund?

Dorfman: One of the key issues for enhancing collaboration is trust. Foundations, corporations and other grant makers need to:

- Choose non-profit partners whom they really trust and respect.
- Form “real” partnerships, grant unrestricted dollars.
- Allow the organizations to really lead on the agenda serving their community. Too often the grant makers assume they know best what the solutions are to problems and the non-profits are put in the position of “beggar.” This situation doesn’t lead to the best result.

Real partnerships entail:

- Trust and shared goals for outcomes in the community
- Unrestricted general operating support
- Commitment of multi-year funding to allow groups to plan effectively to achieve their work in the community
- Regular, open communication and exchange of ideas

*Barometer:* For maximum collaboration among a diverse group representing a range of interests, how do you get to “public” interest rather than “special” interest?

Dorfman: All parties within the collaborating group simply have to doggedly insist on “public interest” as the frame for the discussion regarding their collaboration and shouldn’t relent if and when discussions start to devolve into special interest discussions.

*Barometer:* Do you have a standout example of a successful collaborative effort?

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Dorfman: There has been collaboration over the last few years that involved the Ford Foundation, local funding partners, and community organizing groups—the ultimate recipients of the money—in five U.S. regions: Chicago, Los Angeles, Denver, and South and Central Florida. The Fund for Community Organizing worked because a large funder came to the table with a substantial pool of money and insisted on real participation from local funding partners. It brought together real decision makers from local foundations in these five cities that agreed to invest in community organizing. The recipient groups managed to leverage hundreds of millions of dollars in community improvements through their work. It was one of the best examples of collaboration I’ve seen in recent times.

### **Measuring Success: Impact & Timeframes**

*Barometer:* Beyond dollar amounts contributed, what are some new measures of effectiveness for corporate philanthropy?

Dorfman: It’s all about the impact the grant making and work of the non-profits is having. And to really judge impact you can’t look at what’s happened over the course a one-year program grant. The work organizations do has an impact over many years and sometimes it takes a while to build up. So, I think those doing the best assessments now of grant making are really looking to longer time horizons. It depends on the issue being addressed, but considering at least a five to ten year time horizon gives a good sense of the true impact of a grant.

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