

Foundations Need to Think Hard About Their Blind Spots

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Consider the grant portfolio of a foundation dedicated to improving the environment. This imaginary foundation supports national nonprofit groups that are pushing climate-change legislation in Congress. To make significant gains toward an environmentally sustainable future, the foundation believes, Congress should pass a so-called cap-and-trade plan, which limits the amount of carbon dioxide that companies can emit into the atmosphere.

But the proposal is in danger because companies that oppose the legislation have seized on the costs it could impose on poor and working families. Those opposed to the bill call it a "light-switch tax." And don't get Rust Belt legislators started on the industrial-job losses they see resulting.

In this scenario, it's the "elite" environmentalists and their donors pitted against the interests of poor and working-class Americans.

We've seen this movie before about how good grant makers and the important causes they support sometimes miss the forest in their zeal to plant trees. Those blind spots inhibit foundations from making as much difference as they could.

How would the scenario be different if the imaginary foundation had also historically supported environmental efforts rooted in low-income neighborhoods? Would the legislation look different? Would the foundation and the environmental groups it supports have been able to generate buy-in from groups representing the interests of poor and middle-class Americans even before the bill landed in the laps of lawmakers? Would such a coalition be able to mobilize against the public-relations propaganda by the opposition, and increase the chances of the bill's survival?

Getting more foundations to think about those questions and others is the goal of the report that my organization, the National Committee for Responsive Philanthropy, issued last month. The report, "Criteria for Philanthropy at Its Best," seeks to help grant makers become more strategic and holistic in their commitment to solving the urgent problems facing our nation and the world. We hope to start a debate that challenges foundation leaders to think about philanthropy in a more integrated and, we argue, effective way. I think we're succeeding.

The first responses - in *The Wall Street Journal* and *Forbes* - were predictable defenses of the right of each foundation to do as it pleases.

Heather Higgins, vice chairman of the Philanthropy Roundtable, co-founder of its Alliance for Charitable Reform project, and president of the Randolph Foundation, saw our report as the "Orwellian" product of a group "that doesn't care about charity broadly - indeed it's quite contemptuous of large swaths of it."

That surely surprised the 120 foundation and nonprofit leaders who endorsed (and in many cases financially supported) our work, among them some of the more respected leaders of the nonprofit world. And after 33 years of critiquing and applauding philanthropic practices, our organization doesn't need to take a loyalty oath.

But Ms. Higgins hit upon central and existential questions for foundations and other nonprofit organizations: What is the role of grant makers in today's turbulent society, and what, if any, impact should their favored tax status have on that role?

Every foundation dollar, after all, is partly a public dollar. While the Philanthropy Roundtable and some other organizations that represent donors are quick to talk about rights and the sanctity of "donor intent," they are slow to talk about donor responsibilities.

I believe that foundations, like citizens, have the duty both to uphold a donor's wishes and to demonstrate responsibility to society. Finding the right balance is the challenge they face.

Our report praises the accomplishments of America's foundations, but it challenges grant makers to do more.

We argue for specific benchmarks designed to maximize the contributions that nonprofit groups and their donors make to the common good:

- Steer at least 50 percent of grant dollars in ways that benefit the disadvantaged, broadly defined, because society is stronger when aggressive efforts are made to include its most vulnerable members.
- Embrace democracy by providing at least 25 percent of grant dollars for advocacy, community organizing, and civic engagement to solve structural problems with systemic solutions.
- Make half of all grant dollars available for general operating support and multiyear grants, giving nonprofit managers greater opportunity to succeed.
- Promote open approaches to grant-making and demonstrate the kind of accountability that grant recipients are expected to show.
- Bring a diversity of perspectives to each foundation board, including representatives of the people the organization serves.
- Distribute at least 6 percent of the foundation's assets each year to charity, rather than the legally required minimum of 5 percent, to make a greater difference and maximize social benefit.

I was heartened to see that thoughtful foundation leaders have taken the time to read "Criteria," including some who have taken vigorous issue with it.

Blogs by respected people such as Paul Brest, president of the William and Flora Hewlett Foundation, and commentary by Albert Ruesga, head of the Greater New Orleans Foundation, discuss flaws they find with the document.

The Council on Foundations applauded our effort, and while it did not agree with all of our

recommendations, it is providing a forum for discussions.

We view these responses as healthy, helpful, and welcome additions to the debate we invited.

Chief among the criticisms are that our recommendations are "too prescriptive," don't respect "donor intent," represent a "back door" for legislative mandates, are rigid and unrealistic, insist upon racial or gender quotas, and seek to force a "one-size-fits-all" approach on all foundations. None of those ideas are what we intend.

Leaders of our nation's foundations should not blindly follow each recommendation, but it is important for executives and trustees to discuss how the recommendations apply in the context of their foundations.

Like our critics, we, too, are wary of ill-conceived mandates, but it is essential that policy makers talk with grant makers about these vital issues.

Because taxpayers provide a subsidy to philanthropies, don't foundations bear some responsibility to the public for how they spend those dollars?

By insisting on a focus on the poor, are we making unreasonable demands on foundations whose donors want them to support the arts or historic preservation or animal welfare?

We don't think so. It is essential to talk about the relationship between charitable giving and the public welfare, and to recognize that disadvantaged people should be a consideration in all giving, rather than relegated to the bucket of "poverty programs."

For example, this year the Los Angeles Philharmonic started its Youth Orchestra LA program to provide music education for children with the greatest needs and fewest resources. My guess is that foundation supporters of the Los Angeles Philharmonic would consider this program to be a key part of the orchestra's cultural mission. And yet its support for the youth orchestra allows it to advance its mission in an innovative and inclusive way.

Our report offers aspirational goals that can form the basis for mutual accountability.

We developed the benchmarks to provoke our colleagues to assess their practices at a time when philanthropy is facing challenges and yet is needed more than ever to respond to today's harsh economy.

Ultimately our intention is to get foundation boards and leaders and their grantees to talk about questions that have been ignored for too long. Each benchmark is designed to be a tool for strategic thinking by grant makers.

In the end, each foundation decides for itself what is important and what "counts" in measuring against our benchmarks. It may not be perfect. But it's a start.

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