presents a book discussion on

Give Smart:
Philanthropy That Gets Results

Monday, May 23 - 12:00 to 2:00 p.m.
Hudson Institute - Betsy and Walter Stern Conference Center
1015 15th Street, NW - Suite 600

Program and Panel

12:00 p.m. Welcome by Hudson Institute's William Schambra
12:10 Panel discussion

Jeff Cain, Executive Publisher of Philanthropy Daily
Kristi Kimball, Program Officer at The William and Flora Hewlett Foundation
Ralph Smith, Executive Vice President of the Annie E. Casey Foundation
Thomas Tierney, Chairman and Co-Founder of The Bridgespan Group

1:10 Question-and-answer session
2:00 Adjournment

FURTHER INFORMATION
This transcript was edited by Kristen McIntyre. To request further information on this event or the Bradley Center, please visit our web site at http://pcr.hudson.org or send an e-mail to Kristen McIntyre at Kmcintyre@hudson.org.
WILLIAM SCHAMBRA: Good afternoon, I’m Bill Schambra, director of the Bradley Center for Philanthropy and Civic Renewal here at the Hudson Institute. Kristen McIntyre and I welcome you to today’s discussion of a new book entitled *Give Smart: Philanthropy that Gets Results*, written by two of the thought leaders in American Philanthropy, Tom Tierney and Joel Fleishman.

First, our customary preview of coming attractions. Once again, this year *The Center on Philanthropy at Indiana University* has chosen the Bradley Center as its partner here in Washington, DC to introduce the new numbers on charitable donations compiled on behalf of *Giving USA*. So on June 23rd, shortly after the release of the new numbers, we’ll hold a panel identical to the one marking the release of last year’s numbers. That is to say, it will be moderated by Stacy Palmer from *The Chronicle of Philanthropy* and it will include Patrick Rooney, the director of the Indiana Center on Philanthropy, Wendy McGrady of The Curtis Group, Tom Pollak of The Urban Institute, and Ruth McCambridge of *The Nonprofit Quarterly*.

Now, for today’s panel, in a recent interview at *The Huffington Post*, Tom Tierney argued that, “Giving money away is easy. Giving money away smartly, so that it not only gets results but also gets better results over time, is hard.” He goes on to say that, “The social problems philanthropy aims to address can be astonishingly complex: you are almost always working with and through other organizations; strategies are often unproven; there is no real market feedback to guide you; resources always feel inadequate given your goals; and, it can be confounding to measure exactly how you are doing.”

How to tackle these daunting problems is the subject of Tom’s new book, *Give Smart*, and we’re fortunate indeed to have him with us today to discuss it. We are also fortunate to have a distinguished panel of discussants to help us wrestle with these problems. After Tom’s opening remarks, we’ll hear from Kristi Kimball of The William and Flora Hewlett Foundation, who arrived at 5 am this morning and will be catching a late afternoon flight back. I’d like to think it is a tribute to the importance of The Bradley Center that she is willing to do this, but I think it’s a tribute to her new motherhood, since she is trying to get back to her son in California. Then we’ll hear from Jeff Cain, who is the president of the Arthur N. Rupe Foundation and publisher of *Philanthropy Daily*. He is another West Coast participant who flew out this morning and will be going back today. I should add that I was notified this morning that Ralph Smith of the Annie E. Casey Foundation, who was scheduled to be on the panel, couldn’t be with us because of a family emergency. So if you’re here exclusively to see Ralph Smith, you may leave now if you so desire. [LAUGHTER] But if you are here to hear a terrific conversation on Tom Tierney’s new book, this is the place to be.

TOM TIERNEY: Thank you. I’m going to toss a few ideas out, starting with a little bit of my own background, so you can calibrate my limitations and hopefully we’ll have a productive and useful discussion. By way of background, I’m actually a business person by training. I ran a company called Bain & Company throughout much of the 1990s. In 1984 Bain had spun out an investment company that some people have heard of because it was run by a guy named Mitt Romney. And I had the idea in the 1990s of spinning out an entity along those same lines, but not a for-profit entity, but rather a nonprofit entity that would help improve the performance of philanthropists, foundations, and NGOs. So I stepped down in 2000 as the chief executive of
Bain to join, what was then, a four person charitable startup. Needless to say, I’ve learned a lot in these last 11 years and I’m still learning. Part of Bridgespan’s strategy is to educate, as well as to directly serve, and this book, *Give Smart*, is in that theme of helping people help themselves. My co-author Joel Fleishman, who is not here today, is a very thoughtful, experienced professor of public policy at Duke University. He wrote the book *The Foundation*. He and I teamed up on this effort and tried to create a little bit of a line of sight on philanthropy. So Joel has studied 20th Century philanthropy extensively, while Bridgespan was born in the 21st Century. It was the combination of those two that we thought might be helpful to others.

Let me begin by highlighting three or four headlines and some patterns that we deduced coming out of the work that aren’t necessarily explicit in the book. We refer to these as “terrible truths.” Not because they are that terrible, but because they are reality. First of all, all philanthropy is personal. It almost sounds trite to say it, but you see this play out within families where the spouses have different ideas of what they’re doing. We see it play out in multiple generations. We see this play out between staff and their supporting foundations. Philanthropy is inherently a deeply personal endeavor. It is the voluntary act of giving one’s money away. Maybe giving somebody else’s money away, you see this by the way, this other people’s money phenomenon at foundations, where executives change and strategies change, even though donor intent didn’t change, the main mission didn’t change, and the overall foundation didn’t change.

So you cannot divorce philanthropy from the people who are in fact doing the philanthropy. Now this has all kinds of implications. One of them is that, left to their own accord, a family for example, over time, will try to serve everybody in the family’s needs with their personal philanthropy. Which is fine. No problem there. A family foundation will say that every child gets 25 percent of the pot, or whatever it happens to be. All fine. However, by the time you get to three or four generations, you have dozens of participants and it tends to dilute the overall effort. We call that “peanut butter philanthropy.”

There is a pattern that is pretty clear for nonprofit initiatives that generate results, and this is probably true in life, and it is – fewer, bigger, longer. You might pick one organization, one cause, or you might pick two or three. But doing fewer things over longer periods of time, in bigger ways, tends to generate more impact. Probably because you get smarter at it. Think about it – I’m not an athlete but think about playing one or two sports versus eight or ten.

So this notion that all philanthropy is personal has an important corollary, and that is what you want to do with your philanthropy and the results that you want to achieve are personal. And this is where the book gets interesting, because this book is not for everybody at all times. We had a lot of people read the book, in dozens and dozens of various forms, and one of the most useful, telling emails I received was from a fellow who wrote me back and said, “Whoever wrote this knows nothing about philanthropy, has no experience, and has never been involved in giving money away.” Now Joel Fleishman actually was president of Atlantic Philanthropies. And this fellow went on to say, “The only ambition of my philanthropy is to please my children. I am trying to help them feel good about themselves. I am trying to teach them about life. It has nothing to do with results. It has nothing to do with these hard questions. It just has to do with my kids. Thank you very much.” That was kind of interesting!
Bridgespan doesn’t really get involved with personal family situations and their philanthropy, only as favors to friends. There was a billionaire interested in setting up a billion dollar foundation, who over a lengthy dinner with his wife, his kids, and their lawyers, where they were trying to develop a mission of the foundation, he said, almost tearfully, that, “I simply want to bring my family together. That’s all. I’d like to do no harm in the process, but I want to bring my family together.” The kids were all like this [crosses his arms], and it did not look like the pathway to family happiness, but who knows. [LAUGHTER]

There are a lot of different choices that people make in philanthropy and lots of different consequences that they have in mind. To the extent someone hopes to have a social outcome attached to their philanthropy, directly or indirectly, it is not easy. So we say, results are a choice, and those results come with a set of implications about what one might have to do to actually achieve those results. I should point out, there is another pattern related to all philanthropy is personal, and that is, believe it or not, “it’s not just about the money.” There is a consistent pattern that philanthropists who have impact on a specific initiative tend to be involved in that initiative with their time and influence. So it’s not just about writing checks. Now the time may be very limited. Maybe somebody writes a huge check for a nonprofit where they sit on the board or to a university where they are an alumnus. So it doesn’t mean they have to be spending 40 hours a week. What it does mean is that being personally involved in the decision-making and the thinking about using one’s money is important.

Second terrible truth, and this one with a business background is particularly shocking and it took me years to understand this, I’m sure I still don’t fully understand it. And that is, in philanthropy, excellence is self imposed. I never understood how easy business was until I entered this social sector stuff. In business, if we buy a restaurant together and we put stuff on the menu that isn’t very good, guess what, we’ll know that very quickly. Customers will not buy what we sell. If The Gap puts out a purple checkered shirt that sells like crazy, they’re going to stock more of those SKU’s, right? Right! They get feedback, market signals every day from customers. If your owners are selling stock or buying it, those are market signals. Business is in some sense trial and error. You do not have to get it right up front.

Bain is a strategy consulting firm. Strategy is a starting point, not an ending point. It just gets you going, like Louis and Clark. We are going to learn as we go along. Social sector strategy is called “theory of change.” It is a theory, because you don’t actually know what is going to work. Isn’t that interesting? So this notion that excellence is self imposed means that you as a donor, and later on I’ll mention NGOs, you have to set the bar and that is hard. You can set the bar very low, like my friend who sent the email — I just want my kids to be happy. Well maybe that was a high bar, I’m not sure. [LAUGHTER] Either way, you can set the bar wherever you want to set it. You are not going to go out of business. Think about the concept that foundations are established in perpetuity. We are not established in perpetuity; nobody in this room is. No business is established in perpetuity. Governments aren’t even established in perpetuity. What a concept! So this notion of excellence being self imposed permeates social sector participation. If you want results, you have to work to achieve them. That doesn’t mean 80 hours a week, but you have to be thoughtful because philanthropy is personal and results are a choice; excellence is self imposed.
So we structured the book around questions. I suppose if we were smarter, we could have figured out the one size fits all answer. We could not figure that out. Philanthropy is too individualized, too localized to do that. We did, however, align ourselves with Einstein, who said that questions are more important than answers. Because as near as we could see, the people whose philanthropy was achieving the results that they wanted to achieve were the ones confronting the tough questions. So the book has six chapters, six questions. Questions overlap a little bit, they are interdependent, and they aren’t all relevant. Someone who is leaving their entire estate to one organization doesn’t have to answer a lot of those questions. Somebody who is giving away five dollars could care less about those questions. Although I did have someone tell me at an interview recently that his five thousand dollars is worth more than a million dollars to Bill Gates.

So I am going to wrestle with those questions, at least some of them. The questions aren’t all relevant in every giving situation, but they are the kinds of questions that if someone is placing a significant bet, time, and or money, with the hope of achieving certain results, somebody has to address them. One important question is what are your values and beliefs, anchored in what you care about. An interesting footnote, I had a call from a hedge fund executive last week, and they generally have money, not always, [LAUGHTER] but right now they generally have money. And this fellow wanted to talk, and I don’t generally do telephonic nonprofit advising. But he says, “Listen, I want to give away 15 to 20 million dollars this year from my hedge fund.” I told him that was nice, and I’m listening while he’s on speaker and I’m doing email. He tells me that he has read the book and that he has got question one nailed, which is what are my values and beliefs. He wants to get right to question number two, which is what is success and how will it be achieved. So I ask him to tell me about his answer to question number one and he says that he wants to focus on people less well off than himself. [LAUGHTER] Okay. So the 95 people that are in your level, we won’t worry about them, but everybody else, we’ll worry about.

[LAUGHTER] It turns out, he needed to do a little bit more before he is going to have much in the way of a productive plan.

What are my values and beliefs is the first question; getting you anchored in something. What is success? What is an A? If someone serves on the board of the Nature Conservancy, success might be bequeathing their estate to the Nature Conservancy because they care and respect that organization. How is success going to be achieved? What am I accountable for? Sometimes what I’m accountable for is writing a check. Other times what I’m accountable for is developing a strategy and working with NGOs. Those are strategic questions.

The next three questions, the back half of the book, are about getting the job done. One of the things I learned in business, which seems to be every bit as true in the social sector, is that strategy is maybe 10 percent of the answer and execution is 90 percent. Execution is where things fall short. It’s the difference between the playbook and the players. You know, you can swap playbooks all day between professional teams, and the great teams would still be great teams with somebody else’s playbook. The specific question of execution is huge. In fact, I’m thinking about doing a little piece on this, because everybody talks about multipliers in philanthropy. With a multiplier the thinking is that you’ll put in a dollar and get ten dollars of impact, or a hundred dollars of impact. Well guess what, the multiplier can be a fraction. You can put in a dollar and get out a dime. That is a multiplier. And when I see the dollar to dime,
which is by the way more common than the dollar to two dollars ratio, the dollar to dime is usually not so much about the strategy or general ideas, as it is about the execution.

The three questions on execution are, what will it take to get the job done, how do I work with grantees and partners, and am I getting better. The execution questions are really hard, and the two questions, what does it take to get the job done and how do I work with grantees, are particularly profound for foundations and philanthropists, where most of the time their results are the consequence of other people’s and other organizations’ performance. This has been called the “dance of deception”, between the nonprofit organizations and those who fund them. At Bridgespan, two-thirds of the work we do is on the nonprofit side and one third is on the donor side. We are a nonprofit. We raise funds for knowledge projects. We see this same dynamic. When you have a huge power imbalance, he who has the gold has the answer. So you see this distortion, this lost opportunity, between donors who often want to impose their answers on nonprofits, who actually sometimes have a better answer and more experience. You see nonprofits that don’t want to build capacity, or don’t know how to build a capacity inside the organization, and donors who are happy that that’s not happening because they don’t want to fund that capacity anyhow, because it’s “overhead”. So this connection between the two is fraught with problems.

I don’t think there is a foundation in this country that we have encountered yet, where if you pull behind the curtain and really see how productive the relationship between the donor and the nonprofit is, where it couldn’t be improved by 10 percent. And by the way, it is not just the donors’ fault. This takes two organizations. It’s complicated. It would be as if back at Bain & Company we had to subcontract everything we did through a third party. As Yogi Berra said, “When you give it away, you don’t have it anymore.” [LAUGHTER] That is true of philanthropy. You’re not buying an ownership stake. The money just left. Now what happens is that the people you gave it to want more. They want more, so they are going to tell you what you want to hear and so forth.

Anyhow, the last question in the book seems to be the most important and why we wrote the book. The last question is, am I getting any better? The reason we wrote the book was to help individuals confront the question of how they can get better at achieving whatever result they are trying to achieve with their philanthropy. To get better you have to first ask, what am I trying to do in the first place? You might have to acknowledge your mortality. You might have to confront a bunch of other questions, such as how are you going to give the money away? Where? When? And so forth. Hard, painful questions that people love to ignore.

Although, last week I had a 37 year old billionaire who told me that, since he was already 37 years old, he was behind in his philanthropy. That is kind of neat. He said that he wanted to give everything away during his lifetime. I was going to put him in touch with the hedge fund guy and they could work it out. [LAUGHTER] But anyway, so we wrote Give Smart to be useful to folks as a kind of self help tool. We created a website around it that has been out for about five weeks. And it has been interesting because the notion of the right questions asked by personal philanthropists or their families seems to have touched a nerve. I suspect that people confronting those questions, and I think this has been true historically; Joel would say that it has
been individuals and families confronting those questions that has driven an awful lot of the innovation that we have seen in the philanthropic space. Thank you.

KRISTI KIMBALL: Hello and thank you for having me today. I’m really honored to be part of this panel and to have a chance to comment on what I think is a really thoughtful and important book. So I wanted to share some of the points that I really liked the most about the book and also make some critiques, which I hope to offer in the spirit of friendly amendments.

[LAUGHTER] I want to echo and underline a few points initially and say that fundamentally I agree with the core assumptions that the book is based on, about philanthropy being personal and values driven, that results are a choice, and that excellence is self-imposed. There are a lot of things about the structure of the philanthropic sector that really work against high performance and make it something that you have to choose to strive for. I think the authors have done a wonderful job laying out what those challenges are.

Secondly, I want to point out how important clearly defined outcome goals are. It seems like the most basic point to make, but having been in and among big funders for the last eight years it is amazing to me how rare it is to have a clearly defined outcome goal, even at the highest levels of philanthropy today. And I think you really can’t get very far if you don’t clearly know yourself what you are aiming for, and you certainly can’t communicate that back to the field so that people will be able to raise their own ideas and innovations that might help address that problem. So when I think about clarity in outcome goals, in particular, I think it is important to think of a measurable goal. I just wanted to underline that point that they made.

Lastly, I wanted to emphasize the importance of humility in the approach to grantmaking and to relationships with grantees. The authors made a number of points along these lines in the book. The idea of truly listening to grantees and partnering with them in the pursuit of continuous improvement is so important. My experience is that the power imbalance is very real, which makes it extremely difficult to get honest feedback. Oftentimes feedback only comes over time and over repeated opportunities for grantees to share things. And I think that our decision making suffers within foundations if we don’t have that honest feedback and information. It does come down to the approach of grantmakers at some point to create that environment and opportunity for information flow.

I also want to raise a couple points where my perspective diverges a bit from the authors. Again, I think it is a matter of detail rather than disagreement. I raised the points early on about getting clear, which is about defining success, getting real, and deciding how success can be achieved; in my mind those are about the details of the foundation’s strategy for achieving impact. I co-authored an article with a colleague of mine, Malka Kopell, just recently in the Stanford Social Innovation Review called “Letting Go”, and so these kinds of ideas are represented there for anybody who is interested in reading more. My overall concern is that strategic philanthropy today often leads foundations to micromanage how a problem is solved. This isn’t a problem if the problem you are trying to address is highly technical, where there is a clearly understood solution, it’s been proven to work, it’s been proven to transfer, and it is really just a matter of execution. Then I think it can be quite effective to have a rigid way to define a strategy and just manage towards that outcome. But much more often than not, the problems that philanthropy is
focused on are complex social problems. Some people call them “adaptive problems.” In these kinds of problems, there are no clear, proven, guaranteed solutions.

I think in dealing with these types of problems, foundations today, often in the pursuit of high impact, make two types of mistakes as they design their strategies. One is that they focus narrowly on one pathway to the goal. We often do that in the spirit of focus. The idea is that it will lead to higher impact if we can focus, and often that leads us to choose just one pathway. That’s true focus. The second thing we often do is design solutions ourselves within foundations. In my opinion, both of these behaviors ultimately undermine impact. And I’ll say a little bit more about that later, but I just want to connect this to the book. While they didn’t explicitly take on the details of a foundation’s strategy in this way, I wanted to warn that it could be read as encouraging funders to do this kind of micromanagement; decide exactly how to solve the problem that they’re concerned with and then pick grantees that align with their chosen theory of change. Just to share a few details about why I think that this type of controlling approach to solving problems is not likely to succeed, in my own grantmaking experience and based on a look across many sectors today, at high-performing organizations we see time and time again that the more complex and dynamic a problem is, the more unpredictable it is and the more difficult it becomes to fix with a centrally planned, rigidly defined solution. In fact, iterating and openness to a handful of ideas is one of the only ways we tend to manage our way through those kinds of challenges.

So there are four specific problems I see with the approach of funders designing solutions and narrowly focusing on them. One is that it is this execution problem that Tom (Tierney) mentioned, that I tend to call implementation. Basically, when funders design the solutions themselves, the theory of change about how to get to their goals leads to weak implementation, there is just no two ways about it. It’s the principal-agent problem for economics folks. Ultimately, the people who are tasked with execution or implementation don’t share the same kind of passion or vision for that solution as they would if they had designed it themselves. We have a nice example we provide in the article, but I can just say to you across the board that at my time at Hewlett, we do an annual contest on grants that have been less successful than we had hoped and we talk through why they were less successful.

The principal-agent problem of a foundation designed solution that is then poorly executed by a grantee is second only in failures to cases where an organization’s executive director just leaves and the organization kind of falls apart. I think that is a very common problem. Next, focusing on one pathway to the goal is a very fragile strategy when you are investing in a complex environment. This is kind of akin to putting all your eggs in one basket. I think people in financial investing learned not to do this a long time ago, because they have better feedback loops. Diversification is a much better approach when you are dealing with an unpredictable environment. The only exception that I would raise are the cases where one solution has been clearly proven to be head and shoulders more effective than any others, to be replicable, and to be transferable to other environments. However, I would argue that is not very common.

Third, exerting too much control causes foundations to ignore high-performing nonprofit organizations and leaders. When a foundation decides how it thinks a problem should be solved, that essentially means that all other ways of solving that problem become off-strategy, or
unaligned with the foundation’s strategy. So you can have a situation, which is actually very common, where there are many high-performing organizations that are actually getting to the goal that you’ve chosen as a funder, but since they don’t align with your strategy they are not going to be eligible for funding. One example that I’ll give here is that the U.S. Department of Education recently ran an i3 competition that was investing in innovation, which was entirely designed around evidence of impact. They had a very significant, transparent review process, and they tiered applications based on the level of scientific evidence that they had. Nineteen organizations won, and the top two levels of that competition were those that required the most rigorous scientific evidence. So just out of curiosity, I contacted each of those 19 organizations and I asked them how many of the top 50 largest education funders had funded them in the year prior to them winning the i3 competition. By the way, a lot of the funders hopped on board after they won because it was a matching agreement. What we found was that on average, those organizations had only three grants open from the 50 largest funders. And I’ll say, those numbers are dramatically pulled up by just a couple of winners who had upwards of 15 grants in place. There were a number of winners who had zero or only one grant from the top 50 largest education funders. And these are organizations with the highest scientific impact. So that is just one example of the fact that I think many of us in the foundation world ignore high performance if it doesn’t fit with the strategy that we have identified for ourselves.

Then lastly, exerting too much control can cause foundations to ignore innovations. So by definition, innovations, particularly breakthrough innovations, are things that no one has anticipated before. A foundation that is designing a strategy or a theory of change about how to solve a social problem can’t anticipate things that might be developed in the future. And again, that makes many of the most interesting innovations essentially off strategy and unfundable.

We also looked at high performing organizations in other sectors to see how those organizations stayed in the top of their field; business, government, healthcare, and education. And what we found, or what we postulate, is that many of these are using a “tight on goals, loose on means” approach to achieving their goals. They are essentially empowering ground level workers to develop new products and solutions. They’re even co-creating those products and services with consumers and end users. We suggest that if funders want higher impact, they should also consider this tight-on-goals, loose-on-means approach. It would be my suggestion about what good strategic philanthropy looks like. And I just want to emphasize, it doesn’t mean that foundations give away all control in these kinds of high-performing organizations. You see the leadership setting clear goals, establishing clear accountability mechanisms, creating continuous information flows, and most importantly, providing flexibility for folks throughout the organization to innovate, to experiment, to try different things, to iterate, and to get better over time.

So we kind of point the way to three different approaches to philanthropy that we see as tight/loose models, and I’ll just mention them quickly and then tie them back to the book here. One is providing general support for proven, effective leaders and organizations in the field to grow, improve, and scale up for impact. Second, is supporting community designed solutions that harness the distributed wisdom in the field, rather than just being designed in a vacuum at a foundation office. And lastly, fostering innovation to really accelerate the pace of change, because if we don’t harness those innovations, we are going to be stuck in a very incremental
pace of progress, which is what we would argue we are in right now and have been in for many years. We have got to find ways to get to those breakthroughs.

The authors do highlight many success stories from funders who I would say are using this tight/loose approach. What is interesting is that they are also interlooped with funders who do not use the tight/loose approach, so I just wanted to point this out and raise it for discussion. Some of the funders who use this, particularly the general support for high-performing organizations, there were a number of examples in the book, Fisher, Sandler, Draper-Richards, Edna McConnell Clark, Olin and those are just a few. I also saw success stories described in the book where I would say funders had a version of diversification in the way they invested, which I also think is a positive approach. These are funders who had a specific solution in mind, but they naturally evolved their investment over time from one type of solution to another as they learned what was getting the most traction. This is an important model of the ability to innovate and evolve what solutions you are interested in over time. It basically reflects the fact that it is hard to pick the right solution from the get-go. Successful funders are those who listen, learn, and adjust over time. I like to compare it to a horse race. That if you just walk in on a solution from the get-go, you are essentially picking that winning horse before the race has been run and not allowing those other competitors to even give it a try.

So I am just going to point out one example that didn’t work for me and I look forward to a discussion on it. Some funders are a little more rigid in terms of how they decided to achieve their goals, and the one I’ll describe here is the Barbara Lee Family Foundation. The goal they chose was to try to get more women elected to office; in particular they were measuring the number of women who were elected. The theory of change, or the kind of solution they chose, was to focus specifically on creating and distributing guidebooks for female candidates for elected office. And all I know is what I’ve read in the book, so I’ll add that there can be many other things that happened in that case, but from the description, I have a hard time believing that guidebooks for female candidates is the only or the best way to help more women get elected to office. Yet they were lauded for being highly focused. I would say this is an example of a case where high focus is only a good thing if you know that you’ve found the one right and best solution. This is a case where I would say there is quite a bit of uncertainty about whether guidebooks are in fact the best way to help women get elected to office, or whether there might be other kinds of strategies that might be equally or even more effective in helping them get elected.

So overall, I just wanted to say that I think the book accurately reflects the field of strategic philanthropy today. It is critical that it focuses attention on these important ideas around the values and clear outcomes that are needed to guide grantmaking. It is particularly important as all these new billionaires are taking The Giving Pledge from Gates and Buffett foundations, and beginning to think about designing new foundations. I really like the approach of multiple questions to help people think through what their interests are. But I would like to see more nuances in the discussion of foundation strategies. Those about the dangers of exerting too much control over how a problem is solved and rigidly determining funding based on a pet solution, and also about the enormous potential for impact that can be realized by supporting highly effective nonprofits that are already proven on the ground by harnessing distributive wisdom and distributive leadership in communities and by fostering innovations. Thank you.
JEFF CAIN: Thank you and thank you William (Schambra) for having me here today. Although I should be patting myself on the back for making that 3,000 mile trip across the country. But it is certainly worth it, especially to discuss what is truly a wonderful book. And I do encourage you to buy it and to read it. Not just philanthropists, but people who are in the business of seeking grants as well. It is a very intelligent book on that score and at fifteen bucks you just can’t beat the price here today.

The natural state of philanthropy, as characterized by Tom Tierney and Joel Fleishman in *Give Smart*, is a dismal place. Its most prominent feature is underperformance. Ignorance and arrogance are its cardinal sins. In the natural state of philanthropy, decision making is often clouded by ambiguity and uncertainty. Insidious traps lie in wait at every turn, undermining good intentions and impeding real results. Here, nonprofit leaders are inspirational men and women who charm donors with their visionary ideas, but they fall short in critical management activities and discipline. Philanthropists are well intentioned for the most part, but often they are easily misled, arrogant, and essentially unaccountable to no one but themselves. In the absence of market dynamics, Tierney and Fleishman write that the natural state of philanthropy is a hapless cross between the Galapagos Islands and the mythical Lake Woebegone. There is a blissful arrogance and a blissful absence of predators and all of the children are above average. [LAUGHTER]

In short, grantmaking in the natural state of philanthropy is unaccountable, undisciplined, and ineffectual. For Tierney and Fleishman, however, the natural state of philanthropy is not an exotic locus or a mystical Minnesotan village populated by well intentioned Scandinavians. It is the charitable sector, past and present. The lowly natural state of philanthropy is no place for the new class of results-minded philanthropic CEOs, consultants, and professionals. *Give Smart* posits six wise questions, aimed at aiding donors, nonprofit leaders, and foundation executives in contracting out of the natural state of philanthropy. These questions belong to that category of inquiry that have no simple answers and therefore are worth asking more than once, turning them over in one’s mind, discussing them, coming back to them from time to time, and seeing them anew years hence with fresh eyes. Part therapeutic self examination and part business management seminar, the six questions, if they are pursued diligently and honestly, initiate a process that would assist nearly any philanthropist who is serious about achieving what the authors describe in the language of muscular philanthropy as, “high impact results.”

In posing these questions, Tierney and Fleishman will hopefully set more than a few donors on a path to more effective giving. Through anecdote, metaphor and example, the authors also give their readers an aerial view of the land of high impact results; a world apart from the natural state of philanthropy. If all of the inhabitants of the natural state of philanthropy are, by analogy to Lake Woebegone, good looking and above average, then the men and women of the high impact results are totally hot and absolutely brilliant. [LAUGHTER] Having plumbed the depths of his values, beliefs and passions, the results oriented donor in the land of high impact results is a visionary leader. He or she stands astride the nonprofit world, swelling with disciplined management experience, girded with a well honed theory of change, a team of experts and professionals at the ready. Having subdued the business world in his first 40 years, the results oriented philanthropist stands soberly prepared to solve the world’s most intractable problems,
problems that have heretofore resisted the feeble efforts of governments, international aid organizations, and lowly NGOs. For unlike the natural state of philanthropy, the land of high impact results is about accountability and outcomes.

Void of market mechanisms and signals that enforce accountability and discipline, the high impact philanthropist would be at sea in the natural state of philanthropy, but for his willingness to demand excellence from himself. Self imposed accountability, the authors allow, is an unnatural act. But for the results oriented philanthropist in the land of high impact results, resolve, perseverance, and the disciplined pursuit of high performance simply come with the territory. Philanthropy always comes, as the authors point out, with a heavy dose of me. The land of high impact results is not about modesty. After all, the authors confidently assert that how you approach your philanthropy offers the most unfiltered manifestation of who you are as a human being. In the land of high impact results, the ego of the donor becomes the wellspring of philanthropic innovation, discipline, and ultimately, results.

Excellence is self imposed. But the results oriented philanthropist can’t go it alone, even in the land of high impact philanthropy. Unlike the natural state of philanthropy, here philanthropists and nonprofit professionals mutually understand the others’ shortcomings, and through studious self examination, common explorations, and a shared definition of success, work beyond them. Tasks that often stress the relationship between nonprofits and donors in the natural state of philanthropy, like assembling facts about programs and finances, evolve into shared dialogs of developing mutually committed and trusting relationships. Effective due diligence, the authors suggest, is a process of mutual discovery.

Like all great journeys, however, the path that leads beyond the natural state of philanthropy to the land of high impact results is narrow and not for the feeble or uninitiated. The authors warn that effective philanthropists must be disciplined and tough minded about how they allocate their scarce resources. Although the geography and signposts of Give Smart are familiar to many nonprofit professionals, consultants, and social sector academics, the journey to the land of high impact results is a mysterious quest to the bulk of America’s 70,000 private, small, and family foundations, as it is to its legions of high net worth donors, many of whom are quite satisfied with their giving. Indeed, the chasm that separates the rarified land of high impact philanthropy and the natural state of philanthropy appears so formidable, one wonders if there are important features that our cartographers have overlooked, undervalued, or overstated when they mapped the features of these two great lands. Mapping after all, is truly a matter of perspective.

If the natural state of philanthropy is underperformance, as so many seem to agree, one might take issue with the standard by which it is measured. In the wake of the housing bubble, the collapse of the stock market, and unprecedented bailout of financial institutions by taxpayers, it seems reasonable to ask whether business sector performance measures and management protocols provide the surest yard stick for taking stock of the philanthropic sector or even of individual giving. Do we undervalue the performance of the nonprofit sector because we measure it by private sector standards, asking of it what we would never expect of the marketplace? The often unstated fear of many nonprofit leaders who labor in the underperforming natural state of philanthropy and who are carried along in the tide of high impact results, as a matter of professional necessity, is that there are jobs that need doing.
populations that need serving, and ideas that need advancing that, at the end of the day, fall outside the calculus of the results minded philanthropist. Are there things worth doing that cannot be counted? Programs worth funding that cannot be scaled? Organizations worth supporting that chronically underperform? Can philanthropy be at ease with itself in an underperforming environment, since doing things that the marketplace undervalues has been understood by many as one of its greatest strengths?

WILLIAM SCHAMBRA: Excellent, thank you! That was great. For a change, the folks that I invited to comment on the main topic actually delivered precisely the opinions I was hoping for, which is a rare occurrence. [LAUGHTER] If I may, I just want to stir things up for a second, and then we’ll go to the audience. Kristi (Kimball), as you know, in our invitation we actually linked to your article, “Letting Go,” which I think is a terrific piece. If I can put the first question to you and Tom for just a second. Tom, in a way, I would describe your book, in a phrase, as urging philanthropists to take charge. Number one, you have really got to commit yourself thoroughly to this process. However, in that process of committing yourself heart and soul to a philanthropic enterprise, don’t you sort of play in to the danger that Kristi points to, which is, once you’ve gotten one of these high energy individuals going in a certain direction, it is hard for them to recognize that they have reached the point where they have shaped their giving and now need to find a way to let grantees carry out the design that is best for them. Is there a way to find that point where we need to apply the brakes to the taking charge model?

TOM TIERNEY: This is so complicated to generalize. I guess the first thing I would say is, maybe slightly alter, it’s your premise but --

WILLIAM SCHAMBRA: Change it as you please; I’m the guy with the purple shirt, so -- [LAUGHTER].

TOM TIERNEY: We are encouraging philanthropists or potential philanthropists to confront questions that may or may not lead to them taking charge. It may lead them to bequeathing all of their assets upon death to their alma mater. It may mean that. It does not mean setting up a foundation. It does not mean quitting your day job and spending 60 hours a week telling nonprofits what to do. It is simply, what are you going to do with the money you intend to give away and thinking about that a little sooner, rather than a little later. An organization wants me to attend a live donor forum; I’m waiting for the dead donors forum. [LAUGHTER] I think that would be a really interesting group to talk to! What’s it like over there? Anyhow, I think confronting the questions is important, because what we see are people either ignoring the questions or not actually thinking about them rigorously enough, and therefore wasting money, if you want to call it that.

On the issue that Kristi raised, the back half of the book is, to some extent, consistent with your piece, which is that there is dramatic yield loss. It is the multiplier being a fraction, and we come at that in a couple of different ways. What I think is highly contested in your article, which I really liked, is strategic disruption. It’s very common to see donors who actually don’t know very much, thinking that they know a lot. There is something about being successful and having money that causes that particular attitude to emerge. So we have seen this and my emphasis earlier on the phrase “theory of change” is admittedly also related to this strategy as dynamic.
Because you have to learn. And it's not about having a thousand power point slides. I couldn't agree more. Most of the learning is not going on at the grant level. It is going on with the NGO. They are the organizations actually on the frontline doing the work. This relationship is fraught with problems. We were talking earlier about how most nonprofits would say, if you gave them a truth serum, 'I would love to have your money, but please don’t give me any time, unless the time is related to raising more money for me. And please do not tell me what my strategy is.’

The complication is that there needs to be a theory of change, and if the NGO does not have one or has one that is half baked, somebody’s going to impose it. So I hold both of these truths, that in some cases there are donors that are actually pretty thoughtful and can add value strategically; in other cases, there aren’t. In some cases, the NGOs are not that thoughtful strategically or maybe nominally thoughtful strategically.

WILLIAM SCHAMBRA: Kristi, speaking of the theory of change, someone you know well actually wrote a book about this whole concept, and what struck me about your article is the degree to which you qualify some of the observations in that book. Or it is another take on this whole notion of the strategy of change. As I read the article, Tom’s notion that we need to impose theories of change on nonprofits, is, I mean, Tom’s philanthropist is likely to want to do that more often than not, I suspect. And you suggest in your article that one needs to be a bit more flexible on that score. Am I getting that wrong? Or can you, in the course of responding to my rambling question, maybe you can also respond to Tom’s observations.

KRISTI KIMBALL: Yes, I very much agree. I think, Tom, there are a large number of things in your book that are very consistent with the points that I’m trying to make about the dangers in how foundations design their strategies. So I want to be clear on a couple of things. One, I’m not anti-theory of change. I think for impact, somebody needs a very strong strategy in theory of change; I just propose that that be the group that is implementing the work. In other words, the organizations on the ground or the grantees. If they don’t know what their theory of change is, I don’t think we should be funding them. I don’t think it is an effective solution for the donor to step up and propose a theory of change if the organization doesn’t have one. I think we need to empower the grantees to have their own theories of changes, and then test those rigorously. We need to approach grantmaking a little bit more from a scientific mindset of experimenting and checking to see what works and what doesn’t, rather than as an advocate where the funder just decides on one theory of change and then puts on blinders to any others, even when they don’t work.

The second thing that I see as an alternative approach is for donors who have a lot of knowhow, management ability, and time to give, to create an operating foundation. So that means that instead of them giving the grants away themselves, they run the projects. There are downsides. If every funder in the world started an operating foundation then there wouldn’t be any money for most of the NGOs that are out there today. So there are downsides, but one thing it does solve is this issue of a donor who really has a clear vision of how to solve a problem. I think if you are using the do no harm idea, it is the safest way to implement and affect a clear vision. Just go out and do it yourself as a funder – be an operating foundation.

One other point that I wanted to raise is the idea of inquiry-based philanthropy, which is raised in the book. I very much agree with it. I think they lay out excellent questions for someone who is
thinking about beginning a foundation, and also for them as they continue the process of investing. It strikes me as arbitrary to choose some moment when you stop experimenting and you begin to lock down on exactly how to solve a problem. These are tricky issues. I think it would be interesting for a foundation to be very clear about a measurable outcome goal, but then approach their philanthropy with a question in mind. How do we best get to this goal? And never expect to lock down on a strategy, because you would imagine that there are always ways of getting to the goal more and more effectively over time. Your interest or your guiding strategy is to support that innovation and iteration towards the goal.

WILLIAM SCHAMBRA: Now, Jeff (Cain). Your characterization of the natural state of philanthropy versus high impact results philanthropy – I agree with you. And it struck me as well that Tom and Joel’s book, more than most books on philanthropy, and it really is worth reading it just for this element alone, really is a description of the incredible number of ways that philanthropy can get it wrong. All the tugs, all the temptations, all the forces that conspire to make philanthropy less effective than it could be. All the way from the beginning point, i.e., what are you going to do with the family, how is our philanthropy going to make our family better, which is of course always a prescription for problems, all the way down to the dance of deception.

At the other end of the process, after you have made the grant, everyone, your own program officers and certainly the nonprofits, has an interest in saying that it was a terrific grant, that everything was wonderful, and that it all turned out terrifically. Jeff, do you dispute that that is the natural state of philanthropy? I mean, I thought the book was really quite strong on that front. Would you say things are better in philanthropy than that?

JEFF CAIN: Well, I took that natural state of philanthropy as underperformance from your introduction. I don’t dispute that. In fact, the book really is a wonderful catalog, like you say, of all of the things that can go wrong, and in fact, do go wrong. And it is even more than that. It’s a discussion of what appears to be the structural forces that are in place that undermine and erode effective philanthropy. So on the issue of accountability, the question is who is the philanthropist accountable to, this is a problem, and it’s wrestled with intelligently in the book.

However one of the things that I kept thinking about as I was reading this, is what are we talking about here in terms of the philanthropic marketplace? What portion are we talking about? Are we talking about the $350 billion dollars a year in annual giving? What about foundations, because even though the book is not specifically written for foundation executives, we are really talking about foundations. But then we are talking about just 14 percent of the philanthropic sector, so we are not really talking here about philanthropy in general. We’re talking about a pretty narrow segment of the philanthropic marketplace.

So the question that I have is where is the accountability? How do you find it? And the one thing that I found odd about the book is that it seems to me that knowing all of these things that we say about family foundations and about the vanity of the donor, how can it possibly be that the locus of responsibility then lies with the donor? Right? And how will that overcome all of the problems that it has created in the first place? In other words, the solution to the problem is
indulging the problem even more, right? Having the donor mine his passions and values, that becomes a source of the problem of accountability.

While donor intent is not something that can be externally regulated, I started thinking about whether there are external accountability measures that don’t come from the marketplace or from regulation, but that come from the community of donors; the customs, habits and traditions, the expectations, families, in which the donor operates. Perhaps there is some way of thinking about prudent checks on giving that come not from regulation or not strictly from the donors alone. Is it really all dependent on whether a donor is going to be self-disciplined or not? I found it implausible that maybe the locus of accountability lies solely with the donor.

WILLIAM SCHAMBRA: I just want to push Jeff a bit. I think that the implicit message of the book, if we may discuss it with the author sitting in front of us, is that we need to face resolutely and courageously the fact that there really aren’t any plausible mechanisms of accountability other than the donors own intent. I think that in a way, the virtue of the book is that is says, ‘Look, a lot of other books of advice will give you the rules of grantmaking, how you should do it and what are the constraints and all this, but the fact of the matter is, it’s really entirely, finally up to the donor. And I don’t know whether or not grantmaking multiplies, you get two dollars of result for one dollar of investment or ten cents of result for one dollar of investment. It’s almost entirely up to the donor.’ Isn’t there something bracing about that? Isn’t there something really inspiring about that? For the donor to realize, ‘Gosh, I really do have to face up to this responsibility myself. I’m really not going to get guidance from my financial investors and there aren’t really any rules of the road that I can rely on.’ No?

JEFF CAIN: No. And I actually really liked that part of the book, but it doesn’t quite get to the point where I was hoping that it would get to, which is this is really a moral enterprise, and that the restrictions of the donor aren’t just process restrictions that you have to go through to discover what your passions and values are, but that there is a moral responsibility. There is a wonderful paragraph later in the book about the problem of lying in philanthropy; and lying is a problem. It undermines the results-oriented philanthropist like it does everything else. There seems to be structural reasons within philanthropy that make lying a particularly pernicious problem.

The direction that I would take it is to articulate the moral side of philanthropy and that it is independent of these external checks or marketplace forces. Therefore, it is all the more incumbent upon individuals to act responsibly and to act morally, and I wonder whether the toolkit of the modern day consultant has the language to articulate that to donors or to nonprofits. It seems that the book runs up against it, but then doesn’t engage it satisfactorily. Although, Tom may have a very different idea about that.

WILLIAM SCHAMBRA: Now, Tom, would you like to get in on this discussion of your book, or shall we just keep on -- [LAUGHTER]

TOM TIERNEY: Clearly we need another couple of books for these topics. [LAUGHTER] Let’s see. Let me try to describe who the book was written for and what it is trying to do, because there is a clear pattern here, which is that there are other possibilities.
The book is written for a segment within a segment. It is written for people who have money to give away; more than a few hundred or a few thousand dollars. It’s written for those folks. Most of them, by the way, do not have foundations. They might have a foundation legal structure, but I guarantee you that most people that are giving away hundreds of millions of dollars are not staffing that up with a lot of people. They are doing it themselves through their donor-advised funds, their checking accounts, and through other kinds of ways. It is written for those decision makers. It’s written for the principals and the people who advise or work for those principals. That’s who it is written for. It is in that case, a segment.

Within that, we are very careful, and maybe not careful enough, to focus on philanthropy, not philanthropists. So never did we hold a philanthropist up as having all the answers, because it turns out it is almost always part of a portfolio. We found people with their own foundations that have donor-advised funds that they are doing other stuff with. And we could not find any philanthropist that walked on water, who was in that second land that you described, because it doesn’t work that way. We tried to pick illustrations of philanthropy, looking at something that is very complicated. Within that construct, we observed a pretty obvious principal, and it’s voluntary.

It is still striking to me that people give money away, when you think about it. I mean, just literally, there it is. People just give money away, and it’s not just the rich. It’s really hard to get money, and we still give it away. People who earned it themselves and struggled for decades, give it away. It’s a beautiful thing. It’s a voluntary thing.

And they are going to do it whatever personal, messy kind of way they can, confronting the questions or not confronting the questions. So we tried to recognize that in the inherently voluntary nature of this act. Say that for those people that have money to give away, and within that context are trying to achieve something specific with that money – think about asking these questions.

Now with all of that said, are there broader issues related to philanthropy at large? Absolutely. Do people understand fully the moral imperative and the operational imperative of doing this? Well, no. Most people that give away a lot of money haven’t done it before. They’ve been making it and that is a really different activity. The one thing we were trying to do with the stories in the book is to describe how difficult philanthropy can be. It isn’t easy. People think it’s easy and then they stumble. Or worse yet, they stumble but don’t know they stumbled.

KRISTI KIMBALL: I think this question of how to create a stronger sense of accountability is a huge one, and I really appreciate you for taking it on in the book. I think we need to keep wrestling with it. I just want to say one thought, an idea about how we might get there. I don’t have a whole lot of hope in the moral approach, because I think we are all human. It is human nature that when you get into a position of giving away money, and people begin to tell you that your ideas are great and that you’re really funny and that you’re actually more beautiful than the last time someone saw you, that it goes to your head. [LAUGHTER] It becomes very hard to continue to remember that there could be other ways of solving problems than the ones that you think are the best.
So I think an interesting way to try to solve this accountability problem would be to think about structures or mechanisms that we could create that would open up philanthropy to a little more feedback, because my sense is that accountability comes fundamentally from feedback. If you’re not hearing honest feedback about your performance, there is no way that you can be accountable for it. So one small step funders could take, whether they have a foundation or they are just doing this on their own, would be to think about radical transparency. A number of schools and school districts have done this, where they publish their test scores. Sometimes they do it at the state level, with different levels of sunshine being shown on outcomes.

I think it would be very interesting to see funders do this as well. To say, ‘We are going to take everything from our grant reports that we get in annually, from our proposals that we decide to fund, from the proposals we decide not to fund, from whatever details we can provide about our decision making processes, and we’re going to put those up for the world to see.’ And obviously this would not be for all people, because you are going to invite a heck of a lot of feedback if you do that. But I think it would be one simple mechanism that could really get that information flowing and wouldn’t require funders to take any action based on it, but simply would give them the opportunity to hear more and have a chance of being more accountable to different kinds of constituencies that are providing that feedback.

WILLIAM SCHAMBRA: Shall we go to the audience? Are we ready for that?

TOM TIERNEY: Before that I’d like to say that I think Hewlett has been a path breaker in talking about and being transparent about failure situations that didn’t work out exactly as planned. We see a pattern throughout the sector of isolated learning; little pockets of learning. And I understand that sort of do no harm, where the donor gives money to the nonprofit organization, the nonprofit organization is a disaster, nothing happens, it’s poorly run, but you’re not allowed to talk about that because that will harm this underperforming disastrous nonprofit organization. Then that means that other people can give that nonprofit organization money and the cycle continues, because nobody is allowed to talk about it. So with the attempt not to hurt anyone and the notion that all of these organizations merit support of some kind, that philosophy ends up hurting the kids, in this case the beneficiaries that you are trying to serve in the first place.

This notion of transparency, feedback loops, and measurement as learning; it’s just learning. How do we know what works? We don’t know what we, the big we, what works because we don’t share what isn’t working. One example that I liked from the book was where we had got about two-thirds of the way through and had about a dozen of these readers, and then we were asked by the publisher for more failure stories. Okay, failure stories. In all the interviews, the people wouldn’t let us publish the failure stories. And why? Well you know, ‘It’s not fair to the other players involved.’ ‘Other donors are still funding.’ Well, Why?? [LAUGHTER] Anyway, I agree.

WILLIAM SCHAMBRA: Just a couple of panels ago we actually had a discussion on the new book by Bob Giloth at the Annie E. Casey Foundation called, *Mistakes to Success: Learning and*
Adapting When Things Go Wrong. It’s a terrific book, and they are very explicit about who messed up, who else was involved, and which nonprofits are implicated in these failures.

Well, let’s go to the audience. Who would like to ask a question? Right down in front here.

PATRICIA READ: Thank you, I’m Pat Read. I’m formerly the senior vice president of policy at the Independent Sector and now I’m exploring a number of options with both donors and nonprofits. This was a great panel. I was fascinated with your comments on the failure of the accountability of donors and the failure to acknowledge failure, which is a place where I think donors could help boards be more effective in recognizing their problems.

But I am also fascinated, Kristi, you talked about some very high performing nonprofits who are not in the pipeline for major foundation grants, and I wondered if you might be willing to talk a little bit about where you see the problems there. Is it the NGOs who are not going to the foundations, or are they getting blocked out of the process?

WILLIAM SCHAMBRA: That’s a great question and let me just sort of reinforce it. For 15 years now we’ve had discussions about the centrality of metrics, about how absolutely critical they are and about how we have to fund just the people who are measurably performing. Yet at this late date, we still have this alarming statistic that you cited about the depressing state of education philanthropy.

KRISTI KIMBALL: Well I should be clear on one thing. I was looking at the 50 largest education funders, and there are literally thousands of much smaller funders, so it’s quite possible that high performing nonprofits are getting a good amount of local, smaller funding. However, I think it is a real cause for concern when the 50 largest are not having their dollars follow impact. There could be a variety of different reasons for why that happens. Many funders put geographic boundaries on where they fund. So if a certain proven program is not operating within their geographic boundaries, and if they don’t have any interest in coming into those geographic boundaries, they’re not going to fund it. Those kinds of geographic decisions I think are really values based, and I’m not going to quibble with those.

I do think funders have to make decisions at some level about what the scope is of where they are going to invest. But the ones that concern me more are foundations that are choosing to take a pass on organizations simply because they don’t fit with their theory of change. I’ll use an example with Hewlett, because I think that is the safest type of failure to talk about, is your own. We invested in California education reform for upwards of six years. I said earlier that I think there are very few well proven solutions to many of these complex social problems. However, in the education sector I would say there are a couple that I think do have a level of evidence that is impressive and beyond many of the other solutions. One of those is universal preschool. There is a lot of evidence to show that it travels across locations and different types of populations and that if you can get kids into school early, in those formative years for brain development, they do better over the long term. They are ready for kindergarten. They are less likely to drop out of high school. Their achievement is higher. Now you need to do a bunch of things well, though. It needs to be a very high quality program. You need to follow it up. But universal preschool is an example where at Hewlett, even though that is something that could very well have addressed
our interest in raising achievement levels in K12, we made a decision not to fund universal preschool as part of this California portfolio. Our reasoning was that there were other funders who were already funding that. So it is an example of choosing investments, not based on where the impact is coming from, but based on some sense territory or ownership of a solution. And I actually think the opposite should happen, that as we prove more and more clearly which solutions are working. We should have an environment where funders pile onto those effective solutions and make sure that they scale up and reach impact.

PATRICIA READ: I’m glad that you mentioned that. That does seem to me, from some of the nonprofits that I’ve worked with, to be one of the challenges. Each funder wants to have some kind of personal ownership and is reluctant to enter a space where other funders are there. So I applaud you for raising that, and I hope that it’s something that gets more attention.

WILLIAM SCHAMBRA: Kristi, on the one hand, you seem to be saying that nonprofits needs to have a theory of change, which I think by now most nonprofits have gotten that message. But the problem is, if you’re trying to evaluate the results back at foundation headquarters, don’t you need a kind of master theory of change that allows you to compare your grantees? If you have a bunch of grantees, all of whom have dramatically different theories of change, this is a problem of these measurable outcomes that keeps dogging me whenever I think about this. You tell foundations to evaluate their own performance, but then that means they have to have a single standard of performance in order to view their assembled portfolio of grantees.

KRISTI KIMBALL: I think that simply having clarity on your outcome goal can help you assess relative performance in one investment versus another; making those tradeoffs without having to lock in on an idea about exactly how that goal should be reached.

TOM TIERNEY: Also on that, there are many different motivations to measure things. One measure is to understand how a particular intervention is working. Randomize control tests really compare very aggressive and scientific ways, option A versus option B. But there is another kind of measurement and it is judgment. It’s asking, how are we doing? It’s measurement as learning and measurement as learning can be as simple as looking at our foundation’s portfolio of grantees and seeing which ones in the top quartile and which ones are in the bottom quartile.

People generally know what the bottom quartile is. I sat in the boardroom of a foundation once at the end of a long day and asked these very sophisticated, very smart people to tell me about their bottom quartile. One guy said that they didn’t have one, [LAUGHTER] and it stopped the action. Finally they started talking about their bottom quartile, and they started speaking about which programs were struggling. I learned a long time ago that in order to improve you need to understand what is going on in the top end of the distribution and what is going on at the bottom end. What is it about the top 10-20 percent that is really clicking, and why is the bottom 10-20 percent struggling? And then you’ll learn how to measure. Sometimes we get too focused on measurement for the sake of measurement, as opposed to using measurement to get better.

WILLIAM SCHAMBRA: Yes, Nick, please.
Q: Nick Deychakiwsky and I’m with the Charles Stuart Mott Foundation. There are two things that trouble me in this. One is the image of a marketplace. Almost implying that if the high performing nonprofits aren’t there, we’ll just go to the high performing ones where we can have impact. But if we drop people or initiatives out of a service area, that can sometimes have very serious consequences. They might be better off served by low performing nonprofits than not at all.

The second issue is sort of time frame. One of the things that really scares me is if we get too carried away with focusing on the short term. Once again that term “high performing nonprofits”, which I know that it is not in your book but it’s a Hewlett term that is used very often. Nobody is high performing all the time and very often nonprofits don’t start off as high performers right away. This is why, Kristi, I liked that you talked about experimentation. However, experimentation can be inherently contradictory with impact, unless you have a long enough time frame. So I’m wondering if you could address these issues in some way.

KRISTI KIMBALL: Sure, I’ll say a little bit. I actually don’t think it ever makes sense to invest in a low performing nonprofit, because there would be a better use of dollars. That could even be creating something new. I will say that I agree that not all organizations that have a potential to have impact have been proven effective yet. That is why I have such an interest in innovation and the idea that they’re at an early stage of development. If you want to have innovation and the ability to make breakthroughs, you need to take some flyers on things that are unproven but seem to have potential. So while I think that it is important to invest in high performing nonprofits, I also think it is critical that we reserve funds for innovation; for seeding things that haven’t been tried before and that are unproven. However, I don’t think there should be an endless time period on those. We should have an approach where we seed innovations, let them flower, and then we see which seem to be doing the best and weed out those that are unsuccessful.

WILLIAM SCHAMBRA: Just taking this one step further, let’s pick a city at random. Flint, Michigan, for instance. [LAUGHTER] The Charles Stuart Mott Foundation is headquartered in Flint, but you will find this in any number of cities in the United States. Residents of a ten block area have finally had it with drug dealers. They come together to form a nonprofit and they have various proposals for evicting drug dealers from the neighborhood. It’s not terribly imaginative. It’s sort of reinventing the wheel in terms of a sophisticated foundation’s point of view. However, is there some importance in the fact that, while it is not a state of the art antidrug strategy, it is the city of Flint’s plan and for them it is pretty good? This ten block area has been pretty passive in the face of these problems, but now they go to some foundations and ask for help. And the response they get is, ‘Yes, but your theory of change is kind of a drab. It’s old stuff. We know from experience in Los Angeles that this isn’t likely to work.’ Isn’t there some room, because it is in your own backyard? Because it’s your city, your town, your locality, your place, as it were. Isn’t there some room for funding what might be by national standards a mediocre or low performing or low quartile nonprofit?

TOM TIERNEY: I don’t think they walk in the door with a label – green, red, yellow – and at the end of the day, remember, philanthropy is personal. That means a corollary there is that it is also relationship driven. Are you betting on theories of change or betting on people? People are
the answer. Period. Theory of change is something that can be captured in a colorful slide or two if you want, but you’re betting on people. So if those people came in and had strong reputations, were clearly community leaders, were clearly talented, and maybe had a theory of change that needed some work, bet on those people. At the end of the day, strategy is 10 or 20 percent and the rest is actually doing it. You want to do it.

And you have to do it for years. This time frame question, I bump into it all the time. It’s an interesting one. I don’t know what the data would say. You guys might have a point of view, but in general, it wouldn’t surprise me if individual donors have longer time frames than foundations, because the whole structure of a foundation lends itself to annual budgeting, unpacking the money to every program area. You have to have a theory of change or your program area doesn’t get money. You have to report back. You’re competing internally for resources. Whereas the donor says, ‘I grew up in Flint.’

Last Thursday I was in Michigan. I was in Grand Rapids at this amazing sculpture garden that Fred Myer and his wife built, meeting with donors from Grand Rapids. They’ve done amazing things with donors collaborating with one another, reinvigorating and rebuilding a lot of that downtown area. And they’re betting on each other. They are betting on people and they live there! They’re taking a long term view. The average grant for a foundation is what? Thirty-six months or less? Thirty-six months is not all that long. I think individual donors often invest in their backyards on the people and the groups that they feel have the capability to make a difference. I’m guessing that has been going on for a long time in America. I’d bet on it.

WILLIAM SCHAMBRA: And nothing you say in your book would rule that out.

TOM TIERNEY: No, not at all.

KRISTI KIMBALL: I would wholeheartedly agree. I would say even in the most low performing communities, or troubled communities, there are always a handful of leaders who are effective, have vision, and are ready to run with it. So I would imagine no matter where you’re interested in investing, you can find some of those leaders and help them grow organizations to carry out their visions.

TOM TIERNEY: This wasn’t in the book, but I talk about it a lot. There are a lot of differences between the business and the social sectors, but one very simple recipe isn’t different. If you want to get results, if you want to achieve something over time, you need two sets of resources and a plan for putting it forward. The resources are people and enough financial support to help those people and to promote whatever it is that they are trying to do, and a plan for putting those resources to work. By the way, a lot of money and the wrong people doesn’t work. Right people, adequately financed. Too much money, by the way, is a different kind of problem. The right people adequately financed with a reasonable plan and the right people learning over time, that is a recipe for success. You see that in business over and over again. You can convince yourself that it is not as much about the people or that it’s just about the money or that the plan is really the thing. It isn’t true.
WILLIAM SCHAMBRA: Isn’t there a tendency in the sector to talk about “The Plan” a little too much. In the interview you did for Huffington Post, you suggest, and I think probably rightly so, that most of the books and articles that you encounter in this area pretty quickly got around to a basic set of rules. As you say, you’re contesting that with your questions. You approach it with questions, while other people approach it with the Ten Right Rules of Conduct or the 12 Best Things You Should Do in Philanthropy.

TOM TIERNEY: Joel is very spiritual and we tried to work with the Ten Commandments but couldn’t figure it out. [LAUGHTER] I do think that the Achilles heel is, to go back to it in a way we all three have been talking about, is what happens on Monday morning. It is execution and it’s the back half of the book, not the front half of the book, if you want think about it that way. If we are not betting on the right people and the right organizations, and we not funding them adequately, this is where the capacity question is so enormously important.

We see this all the time. Donors will fund an organization, but resist having any of that money go to overhead. Now we know nobody wants to waste money, but the translation to Monday morning is that the CEO is burned out because she can’t hired a chief operating officer. The finances are a disaster because they only get a bookkeeper and not a CFO. They’re using laptops that belong in museums. All of this impedes their ability to get the job done because people don’t want to invest in “overhead”, assuming that all overhead is bad. The capacity problem is another impediment that has nothing to do with “strategy” per se, but everything to do with delivering results.

Q: My name is Brigid Slipka and I have a question about defining failure in philanthropy. It sounds to me like, from reading the book, that failure is underperformance or philanthropists that are not able to get anything done. I would suggest that failure should be defined as harm to the beneficiaries. There are programs that donors fund that actively decrease test scores, that increase unemployment or that result in children having to walk further for clean water. That is harmful.

So we all know these programs and this may get to Jeff’s (Cain) problem of accountability. Now you are no longer accountable to yourself, you’re accountable to your beneficiaries and this is mentioned in the book, but from what I recall it’s called “secondary risk”? And the very word, secondary, implies to me that it’s not nearly as critical as the ego of the philanthropist. So I would like to suggest that maybe redefining failure as the ultimate beneficiary is the way that we should structure this problem.

TOM TIERNEY: What you describe definitely sounds like failure to me. One of the problems with philanthropy is that it tends to be characterized in popular commentary as pass/fail and nothing in between. Remember your school days if you took a pass/fail course and everybody passes, right? Except maybe the football player that didn’t show up, once in a while they give him a fail.

WILLIAM SCHAMBRA: Not if he’s a good football player. [LAUGHTER]
TOM TIERNEY: Not if he’s a good football player, not at all, he passes. [LAUGHTER] So even moving beyond what you describe, it truly sounds like failure. To a more nuanced view that it is not just pass/fail, there is a whole series of gradients, and we need to acknowledge where we are in the gradients and learn from it.

WILLIAM SCHAMBRA: I think one of the strengths of the book is your pretty frank acknowledgement of the degree to which failure seems to be the natural state of philanthropy. The natural state seems to be to fail. And the percentage of success in the face of all of those forces that tug and pull and drag at philanthropy, the degree of success is phenomenally rare almost, isn’t it?

TOM TIERNEY: I guess I would rephrase it, to get away from the pass/fail binary, to say that underperformance is the natural state. In other words, think about it if you’re a jogger. You are very happy running 12 minutes a mile, because you’re just running 12 minutes. Everybody runs 12 minutes a mile. You read in the paper that people run that rate and then one day you’re out jogging and somebody who runs 11 minutes a mile swooshes right by you. Well what’s going on here? Then somebody else runs a 9 minute mile, or whatever metaphor you want to use. The point is, we could do better. Consistently, no, but we, now the big “we”, I’ll elevated it up, we could do better and there are a lot of things that conspire to make it a lot harder. It is harder to change the life of a child and to deal with these complex social issues, whether it’s poverty or education, then making widgets. It’s just harder. And a whole bunch of structural reasons make philanthropy a tough tool to use. However, it doesn’t mean that it is an ineffective tool to use; it’s just a tough tool to use.

KRISTI KIMBALL: If I could just underline a point there. I think that true abysmal failures are actually outliers and what you see most often is just mediocre performance. Jim Collins talks about moving from good to great, and that is the piece that I think we really have to look at. Every funder has a portfolio of grantees and I’ll say there is not a single one of my grantees who couldn’t come and do a reasonably good dog and pony show for me – here are some results we got and here is a great compelling story – but the question is, how is their performance relative to what others are doing in the field. Is it good enough? And it gets to this question that Tom mentioned around segmenting your portfolio and being able to identify who is at the bottom quarter of your portfolio and who is at the top. What I see are themes across those quarters. What we need to ask, is how can we move on from the lower performers, even though they may not be failures? How we can keep driving towards higher and higher performance?

JEFF CAIN: It seems like we do talk about failure and underperformance, but in your question there is a sense that philanthropy is also capable of harm. In other words, it’s not simply a question of not living up to a particular theory of change, but there is actual harm done to those who are perhaps the recipients or not the recipients of a grant.

I suppose that this is starker in the advocacy world. You have foundations competing on the one hand for education reform and funding education reform in a sustained and systematic way, and you also have other foundations, in fact, funding the status quo. They both can’t be right, right? If the outcome is the status quo and it is robbing children of an education, and I’m not saying that it is, then the reformers are wrong. If the reformers are really the ones who are helping children
change the way they are being educated for the better, then the status quo people have got to be wrong.

It seems to me that we tend to think about philanthropy almost exclusively in positive terms, but there is another side to it, a somewhat unacknowledged side, where there are real consequences to the funding decisions and even to what we see as positive. Education is very stark in this way. There are millions of dollars flowing in from foundations and funding status quo policies in education, while at the same time there are millions of dollars flowing into education reform, particularly from foundations, but also from some high net worth individuals.

WILLIAM SCHAMBRA: And it’s not a question that can be settled simply by test scores, or simply in some empirical way. Right? Because the various approaches to education reflect, as you suggested earlier, fundamental moral and political judgments about the character of the regime, about the character of education, that aren’t reducible to mere test scores. One needs to wrestle with those larger questions as well as the specific questions, which allows me to put in a plug for Amy Kass’s two books. The first one is *The Perfect Gift*, a book on generosity. The other is *Giving Well, Doing Good*. Both are anthologies of readings that use short stories, poems, and religious tracts to encourage learning in the moral and spiritual sphere, as well as in the numbers oriented sphere. You can get better at doing good. Not simply by measuring results, but also by thinking through the moral implications of what you are doing and realizing that the Western tradition, and indeed some other traditions, have something quite profound to say about these sorts of questions. We are unfortunately out of time. Last comments?

KRISTI KIMBALL: I have just one last one. Ralph Schmidt was not able to be here, and I can’t channel him, but I would say, I know there is a certain type of solution that he has really been championing and I just want to put it out on the table, which is more along the lines of a community design strategy. I just wanted, especially for the conversation about Flint and about places where we are not getting the kinds of outcomes that we want, I think that is another really important, powerful way to get to high impact. To work with whole communities of stakeholders, who are coming together around their concern, around solving a particular problem, and then designing a collective strategy for results. Ralph himself has been in charge of building a massive national campaign for grade level reading, to try to get low income third graders reading on time and I think that is a really powerful model that we didn’t have a chance to say much about, but also really worth exploring.

WILLIAM SCHAMBRA: Let’s thank our panel for a terrific conversation. [APPLAUSE]