

The Problem of Strategic Philanthropy

A Presentation to the Philanthropy Roundtable's Annual Meeting
Session Entitled "The Uses and Abuses of Strategic Philanthropy"

by William Schambra

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On November 7, 2008 William Schambra, director of the Bradley Center for Philanthropy and Civic Renewal at Hudson Institute, and Paul Brest, co-author of the new book Money Well Spent: A Strategic Guide to Smart Philanthropy, participated in a Philanthropy Roundtable session entitled "The Uses and Abuses of Strategic Philanthropy." In his book, Brest argues that philanthropy will be more effective if donors become more strategic in setting objectives and more data-driven in measuring results. He urges foundations to clearly determine the theories of change that underlie their giving, to analyze the expected return on their philanthropic investments, and to measure systematically whether they are achieving their objectives. Schambra, on the other hand, is skeptical. "Of course foundations need to specify missions and goals for themselves," he has written. "But it's a serious error to be too specific or detailed in advance about the strategies needed to reach them. It is wildly unrealistic to postulate a theory of change and expect anything like its typically complex, fragile chains of cause and effect to play out in real life." Stacy Palmer, editor of The Chronicle of Philanthropy, moderated the discussion. The text below is Schambra's prepared remarks.

IT'S A GREAT pleasure to be here today, to continue an ongoing conversation Paul Brest and I began almost a decade ago about the possibilities of strategic philanthropy.

I've enjoyed it immensely, but it has led me to conclude that if you're going to enter into a long-standing dispute with someone, perhaps it shouldn't be the former dean of the Stanford Law School.

As for Paul's presentation today, and in particular his use of the example of Christopher Columbus and the discovery of the New World – all I can say is, thank heaven Ferdinand and Isabella were around to fund it. If Columbus had had to rely, say, on the Ford Foundation, things would have turned out very differently.

Not only would they have refused his grant request, they would have funded his opponents: the "Goodbye Columbus" Coalition, with its members the Hands Off the New World Committee and the Western Hemisphere Campaign for Zero Population Growth.

The streets of Spain would have been reverberating with chants like "Ho ho, hey hey, Western Civ has got to stay," and "Nina, Pinta, Santa Maria, we hope they sail over the edge of the see-ah."

Now, I suspect most of the foundations represented in this room today aren't in a position to fund expeditions to new worlds, nor even to fund anything as ambitious as Paul's other example of strategic philanthropy, the "adaptive learning" experiment in Philadelphia.

Most of you are, however, regularly approached by groups like the hypothetical Northside Neighborhood Center, which figures in yet another example Paul presents in his book. My handout (see Appendix A below) lays it out.

In this case study, the Center approaches the hypothetical Metro Community Foundation with a request for increased funding, because for the past couple of winters, there's been a winter-time surge in demand for food and other necessities among its largely Latino clients.

The Center thinks the explanation might be due to seasonal unemployment, but the Foundation, Paul notes, "has doubts" about that explanation.

And so the Center is sent back to survey its clients, and finds that the increased demand may result from a spike in illness during the winter, depressing workforce participation.

Much brainstorming follows, during which the public health commissioner is consulted, and he suggests the problem is tied to the seasonal increase in influenza.

A theory of change is then proposed, as Paul prescribes: it is hypothesized that vaccinating breadwinners against the flu will prevent an increase in demand for the Center's services.

From that, a logic model is constructed for how to get from here to there. Numerical estimates for results are attached to each step, culminating in a calculation of actual dollars saved by a vaccine program.

Beginning with a target of 3,000 community residents, one hires Spanish-speaking outreach workers who might contact 75 percent of the target.

Eighty percent would sign up, 60 percent would show up, 90 percent of the vaccines would be effective, leaving us with 146 workers, or 15 percent of our initial total, protected against the flu, who would have lost a total of \$70,080 in wages during flu season.

However, we find that the cost of the program – the vaccine, the outreach workers, program administration – runs \$73,700, making it slightly more expensive than the lost wages averted by the vaccines.

Paul notes that this "mildly disappointing calculation may inspire the community foundation and neighborhood center to consider alternative strategies."

Well, if I were the neighborhood center, I'd be inspired to consider *this* alternative strategy: never, ever waste time again approaching that community foundation for a grant – or, for that matter, any other foundation besotted with the notion of strategic philanthropy.

After all, as a long-standing and reputable center of community life, we know our neighborhood. Maybe the increase in demand for our services comes from construction slow-downs, maybe from the flu, maybe from a nation-wide economic crisis, or more likely, it comes from all of these factors and countless others.

Our duty as a front-line charity isn't to sit around and speculate about abstract explanations for human *need*. It's to meet the real, everyday, concrete human *needs* of those coming through our doors, regardless of the bewilderingly diverse causes that bring them to us.

But the community foundation doesn't seem to value that. Since it has bought into strategic philanthropy, it wants us to sit around drinking herbal tea with its staff, filling whiteboards with guesses about why people have needs, and how to avert them altogether by getting at their root causes.

It puts more trust in the college degrees earned by the public health director, than in our hard-won, practical, face-to-face understanding of our own community, even though he's probably spent more time fussing over the color of his office drapes than visiting our neighborhood.

So the foundation sends us back to face the pressing needs of our neighborhood not with a check, but with a copy of Paul Brest's new book telling us how to come up with theories of change and logic models.

Finally, when we all agree that the health director's approach isn't so clever after all, does the Community Foundation admit that this was a fool's errand and make us a grant, perhaps even recompensing us for all the wasted effort? No, we're just invited back for more herbal tea and more brainstorming.

Now, imagine the state of the charitable sector if most of our foundations began to put their grantees through this kind of drill. Any grant request, even one as straightforward as a grant for emergency assistance, could be subjected to months of speculative and typically fruitless cud-chewing.

And if a nonprofit approaches, say, twelve foundations for support, it may expect to be entangled in twelve such ordeals, in order to satisfy twelve entirely different and idiosyncratic notions about acceptable theories of change.

Even were strategic philanthropy rational at the retail level – that is, for a single foundation – it is surely irrational at the wholesale level.

To be fair, it should be noted that the grand quest for strategic philanthropy illustrated here is nothing new.

It was at the heart of the first large, modern foundations like Rockefeller and Carnegie, which arose at the turn of the 20th century. They too rejected the everyday wisdom of charities like Northside Neighborhood Center, because they believed that the newly developing social sciences – with their theories of change and logic models – could carry us beyond charity, to strike decisively at the root causes of social problems.

This seemed to work with the natural sciences, because there, we knew what constituted knowledge and how to go about accumulating it. But in the social sciences, it was not so clear, nor, given human nature, is it ever likely to be.

To this day, theories about the causes of human behavior multiply endlessly. We are left with many interesting and diverse schools of thought on the subject. But we have no universally accepted collection of proven findings, waiting to be plugged into our theories of change.

So foundations, enamored as they are of “cutting-edge, innovative solutions,” are forever switching from one bright, shiny causal model to another, avidly following the latest philanthropic fads.

No wonder, then, that after a century of strategic philanthropy, involving untold billions of dollars, we have in fact failed to solve even one social problem once and for all, by penetrating to its root cause.

Meanwhile, charities like the Northside Neighborhood Center continue to do the everyday, back-breaking work of helping low-income communities.

How do we know it's doing a good job? Only an extremely well-educated person could be stumped by this question.

Go down to the neighborhood and check it out. Is it busy? Is that where people tend to go first, when they encounter problems? Does the neighborhood value it enough to protect it from vandalism and graffiti, and to support it with volunteer time and small donations? Do local residents and community elders have a high opinion of it?

As they say in the movies, we don't need no stinkin' logic model to tell us if it's a good community center or not.

My advice to you would be this. When the Northside Neighborhood Center comes in for a grant, don't give them a lecture about needing to come up with a logic model to justify what you know they've been doing quite well for years. Just write the darned check.

APPENDIX A.

The Case of the “Metro Community Foundation” and the “Northside Neighborhood Center”

In a meeting with staff from the Northside Neighborhood Center to discuss renewing its grant for the next three years, “they **request a substantial increase for emergency financial assistance**. For the past couple of winters, the center has seen a **two-month surge in demand for food and other basic necessities**.” They are requesting additional funds to meet this demand, which they guess is caused by income loss due to the seasonal slump in retail sales and construction.

1. Brainstorm about a number of solutions.
2. Consult with public health and labor experts.
3. Develop a theory of change:

Vaccinating breadwinners for influenza will flatten the demand for emergency assistance to levels the Northside Neighborhood Center is equipped to handle.

4. Develop a plan to enact change:
 - identify the target audience for outreach;
 - develop and implement a communications strategy to alert the audience to the need for flu vaccinations and Northside’s vaccination program;
 - hire and train *promotores* to visit households in the neighborhood, assign households to be covered, and then conduct the visits;
 - purchase the vaccine and contract with nurses;
 - administer the vaccinations; and
 - evaluate the success of the program.
5. Estimate costs of alternatives, compare:

Target	Visits	Sign-Ups	Vaccinated	Protected	Would Have Caught Flu
3,000 x	0.75 x	0.80 x	0.60 x	0.90 x	0.15

Lost wages of the 15 percent (146) of the targeted 3,000 workers who would have caught the flu without the program:
\$70,080.

Cost of experimental program:
 - recruitment, training, and hiring *promotores*: \$35,000
 - cost of training program itself: \$15,000
 - administrative costs of program: \$7,500
 - cost of flu vaccinations: \$16,200
\$73,700.

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