

PERSPECTIVES ON PHILANTHROPY

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BUT AREN'T WE DOING GOD'S WORK?



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A great deal has been written over the years about the institution of philanthropy – its origins, history, distinctive role in American society, glories, and perceived failures. However, most of this writing has been by people from outside philanthropy, observers of social institutions who, by and large, believe that foundations are not contributing enough to the solution of major social problems. The recent rise in the quantity and harshness of this criticism seems to reflect: (i) the rapid growth in philanthropic assets, due to the extraordinary wealth generated by private enterprise and to the establishment of a large number of new foundations; (ii) the rise of political conservatism in this country and its distrust of what are perceived to be socially liberal institutions; (iii) wide-spread curiosity about these independent institutions and how they operate; and (iv) increased scrutiny of non-profit organizations, in general, stimulated by highly publicized instances of perceived financial impropriety, excessive executive compensation, and political activism.

Criticism can help goad institutions like philanthropy and organizations like foundations to do more and better. However, to be useful, it must be based on objective analyses of their strengths and weaknesses in the context of what is possible given the environment in which they operate. What organized philanthropy needs most, at this point in its evolution, is not more invective, but serious efforts to make it better by people who, while objective, understand philanthropy and its role in our society, and foundations and what they can realistically be expected to undertake and accomplish.

One might ask: *“Who cares? Given our legal status and independence, why should we worry about these external brickbats? Aren't we immune from outside criticism?”* My answer is that we better all care – all of us who recognize the distinctive and significant roles individual and organized philanthropy play in American society and around the world. We should care because the independence that confers on foundations their comparative advantage as agents of social improvement makes them vulnerable to the exigencies of political and economic processes. For, it is the government – federal and state – that, through its laws and regulations, sanctions and protects that independence. And, as we know, those who giveth may also taketh away!

Today we are embroiled in public policy debates about whether individual philanthropy is being abused and whether foundations are sufficiently accountable and contributing enough of their assets to supporting worthy causes. A specific issue is whether foundations can continue to count program-related expenses toward their annual 5% distribution requirement. But it could be any number of issues related to how foundations should bear more of the burden of helping today's most needy. The economy is shaky; the polity is increasingly conservative; taxes are anathema; and the federal government is reducing its support of social programs. As a result, non-profit agencies across the board are feeling the pinch, cutting their budgets, staffs, and services: safety net providers are barely surviving, schools are closing earlier in the year because their districts have run out of money, states are turning increasingly to gambling for revenue, and cities are struggling to provide even the most basic services. At times like this, when everyone is looking everywhere for funds to make up for the shortfall in tax-generated revenues, foundations are particularly vulnerable. Social activists, commentators, and politicians see the amount of money represented by foundation endowments and

wonder if enough of those resources are being applied to helping support important social purposes, and if foundations are doing enough to deserve their special status.

Whatever the outcome of these current debates, they are the kind of controversy constantly swirling around foundations as they attempt to attend to their philanthropic knitting in the real world in which they operate. And, it reminds us that foundations can never rest on their laurels, never feel smug that, after all, they are “doing God’s work,” and never stop striving to reach *The Prize* – the missions which they were established to pursue. This means:

- Demonstrating, convincingly, that their contributions to the betterment of society warrant the special legal and financial status that permits them to: go where others can’t; anticipate emerging issues before others; take the long view in addressing those issues; and experiment with solutions that others haven’t thought of, or are unable or afraid to try;
- Staying focused on priority issues, avoiding drift, diffusion of purpose, and fatigue, and the tendency to placate constituents by spreading grant money so thinly among them that it accomplishes little or nothing;
- Developing creative and effective strategies for establishing realistic goals toward which foundations strive, and metrics for determining the degree to which they are being attained;
- Constantly reflecting, evaluating, learning, and sharing lessons with others in a way that: assures continuous improvement of foundation programs and operations; strengthens grantees; and contributes to the accumulation of a body of knowledge and experience in the field of philanthropy on which foundations can draw when designing organizations and programs;
- Practicing the “golden rule” rather than the “rule of gold,” treating all with whom they come into contact with dignity and respect, avoiding the arrogance and isolation that often creeps into relationships in which one of the parties has power and money that others want or need;
- Recognizing that organization matters: looking systematically at how foundations are governed and operated; optimizing the functioning of the board, executive management, and staff; and aligning and integrating organizational units so that they operate effectively and efficiently and work together to advance the organization’s overall mission and goals; and
- Employing the rigorous processes of programmatic, financial, operational, and governance oversight and accountability needed to assure the public and its elected and appointed officials that foundations deserve the privileged status that constitutes their *sine qua non*.

This is an ambitious set of principles to which foundations must adhere if they are to continue to be vital elements in our efforts to catalyze positive changes in the world in which we live. But, adhere to them we must. We should settle for nothing less.