Effective Foundations: The Business of Philanthropy

The most effective foundations are those that take advantage of the best strategies, methods, and tools. A foundation is like a business, and many of the ideas in this chapter are standard business ideas—applied to the foundation world. The chapter looks at a variety of such approaches.

Not every point in this chapter will fit all foundations. But the areas discussed here can offer profound benefits if properly handled, or cause great trouble if ignored. One foundation, for example, may flounder because it lacks a clear mission, while another might effectively double in size with the right use of grant leverage. Our aim is to cover a number of the most common strategies and let founders and advisers decide which are relevant.

The Mission Revisited

In most cases, effectiveness starts with a clearly defined goal. History has shown that the greatness of a foundation—as measured by its impact on the world—is determined by the founder’s (or in some cases, a board’s) sense of mission. Some donors start a foundation knowing exactly what they want to do. Interestingly, though, many founders have only a vague sense of their philanthropic goals until well after the foundation has been created. A positive transformation seems to take place when a foundation is created. Perhaps it is the process of making a commitment, or the sharpened focus on philanthropy, or perhaps it is simply that

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people learn by doing. Whatever the reason, founders often find that their philanthropic vision and ability to act on it grow most rapidly after they have created a foundation.

This is one reason why the most effective foundations tend to be those created during the founder’s life. A founder who puts the imprint of his or her personal passion on a foundation while he or she is still alive will leave it as a lasting legacy, as we discussed in Chapter 5.

**Finding a Focus**

Talk about “mission” and “mission statements” has become so commonplace—even among for-profit institutions—that the terms may have become hackneyed. In essence, a foundation’s mission is an explicit, even emphatic, statement of philanthropic goals. It represents the founder’s and the board’s vision, taking the form of a problem to be solved, a cause to be advanced, or a vision for the world that, if achieved, would make the founder feel that his time, effort, and money had been well spent.

Trying to focus one’s vision can be a daunting task. Some new philanthropists try to start by “seeing what’s out there”—that is, surveying the world of existing charities to see what they might want to support. But “out there” is a huge universe; there are over 1,000,000 tax-exempt charitable organizations in the United States, and another 30,000 or more are created each year.

There is a simple exercise for those who think they don’t have any idea which way to go. All they have to do is to pick up a daily newspaper and read through it. They will see a number of things in the news that either excite, upset, or inspire them. These are areas for further focus, and chances are good that at least some of them will be appropriate areas for philanthropic action.

Most people have a general idea where their interests lie, possibly related to their professions; someone who makes personal com-
computers, for example, may choose to provide computers to underprivileged schoolchildren. Often a founder will decide to work on a problem that has affected his own life, such as a disease, medical condition, or drug or alcohol addiction. For example, Tom Dunbar, a Louisville, Kentucky, businessman, created the Evan T. J. Dunbar Neuroblastoma Foundation in memory of his son Evan, who died at age six after a long battle with cancer. Dunbar’s dual aims are to make sure that pediatricians are well informed so that they can spot these types of cancers early, when they’re more treatable, and to encourage the search for drugs, which, due to the small market, are not always commercially viable.

Another common situation is a founder who remembers an event that changed her view of the world, and who wants to create similar opportunities for others. For example, one client of ours set up a program in entrepreneurship to help disadvantaged youths get a head start in running their own businesses.

**Putting It on Paper**
Many founders keep their “mission statements” largely in their own heads. But even if a founder spends his life as a “living example,” such an ephemeral “statement” is of limited value in creating a legacy that will endure. Especially if successors face conflict or uncertainty, they will find it helpful to have the mission in writing.

For some founders, a detailed, carefully thought-out mission statement will be an immediate priority, sometimes even before the foundation is set up. Consider the case of the Liberty Fund foundation. It was founded by Pierre Goodrich, the scion of a wealthy and influential Indiana family. Goodrich was so absorbed by the task of defining his foundation’s mission that he ended up writing an entire book to instruct his successors on the details of his vision and his foundation’s mission.

For over a generation, since Goodrich’s death in 1973, his foun-
Goodrich wanted to work for “the preservation, restoration and development of individual liberty through investigation, research and educational activity.” Goodrich had read widely and wanted to promote the reading and discussion of great works, from Aeschylus to economics. Following his wishes, the foundation has for years sponsored conferences around the world for scholars and intellectuals to meet and discuss ideas pertaining to liberty and has published approximately 20 books a year in areas deemed by the board and staff to be relevant to the mission.

For most foundations, a less formal mission statement will suffice. Nevertheless, at some point it will be beneficial for almost any foundation to develop a clear and easily understood statement to guide activities and funding decisions over time. In the CPA Journal, Christopher Bart, who does research on mission statements, describes a good one as follows: It “captures an organization’s unique and enduring reason for being, and energizes stakeholders to pursue common goals. It also enables a focused allocation of organizational resources because it compels a firm to address some tough questions: What is our business? Why do we exist? What are we trying to accomplish?”

Jeffrey Abrahams, author of The Mission Statement Book (see Resources), offers some famous examples of good mission statements.

Perhaps the very first mission statement, he suggests, is: “Be fruitful and multiply.” Most readers will be as familiar with another example: “We the people of the United States, in order to form a more perfect union, establish justice, assure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessings of liberty, to ourselves and our posterity, do ordain and establish this constitution for the United States of America.” This, of course, is the preamble to the U.S. Constitution.
Getting Started

The central philanthropic task of every foundation is to decide how its money can make a difference. Just because a foundation has vast sums is no guarantee that it will be an effective presence in the world. Andrew Carnegie, perhaps the most generous philanthropist of all time, wrote, “One of the chief obstacles which the philanthropist meets in his efforts to do real and permanent good in this world, is the practice of indiscriminate giving.” (Carnegie believed in targeting the source of a problem, rather than the symptoms. As a result, he and his foundation have always focused on education.) Helping to avoid that kind of “indiscriminate” giving will be probably the most critical aim of the mission statement. The first challenge for a new foundation, or for one that is reevaluating its mission, is to decide whether to give in one area or related areas or to spread the giving across diverse causes. While some donors find it rewarding to give smaller amounts of money to a variety of causes, most experienced philanthropists find that focusing on a few areas, or just one, is the most effective.

Effective philanthropists tend to have clearly defined goals. For example, when Siebel Systems founder Thomas Siebel learned about the hazards and havoc caused by the illicit use of the drug Methamphetamine, commonly known as Meth, he determined to do something about it. But heeding (whether explicitly or not) Carnegie’s warning against indiscriminate giving, Siebel decided to tackle the problem in one state: Montana. He set up the Meth Project Foundation. An extensive ad campaign, including 1764 billboards, 50,000 radio ads, and 61,000 TV ads, and over 100,000 print “impressions,” over the course of four years, appears to have had impressive results. Montana reports that teen meth use had declined by 63 percent and adult use declined by 72 percent.

Another high-tech executive who applied his knowledge to charitable purposes is Andrew Rasiej, who founded a thriving tech company in 1997 called Digital Club Network. The Network ties together nearly thirty of the nation’s best venues for live rock
music. In 1997, when Rasiej visited Washington Irving High School in Manhattan, he found that it had no Internet connection. Andrew Rasiej enlisted help from professional acquaintances from New York City’s “Silicon Alley” to volunteer their time to wire the school to the Internet. The 150 people who responded to this call inspired Rasiej to launch a nonprofit called MOUSE (Making Opportunities for Upgrading Schools in Education). Rasiej stated, “The new [tech] industry has to discover and learn how to make an educational system for the new era. It’s time to start rethinking what education is.” MOUSE is currently operating in 32 public schools across New York City’s five boroughs, providing an average of 24 hours of weekly technical assistance for each school.

Mario Lemieux, owner of the Pittsburgh Penguins hockey team, has focused his giving on two medical issues that are unrelated to each other but that have affected him and his family. He has been afflicted with Hodgkin’s disease (cancer of the lymph nodes), and his son, Austin, was born two-and-a-half months prematurely. The purpose of the Mario Lemieux Foundation is to fund research on cancer and on premature birth. It donated $5 million to establish the Mario Lemieux Centers for Patient Care and Research at the University of Pittsburgh Medical Center, and it created the Austin Lemieux Neonatal Research Project, which supports research at the Division of Neonatology and Developmental Biology at Magee-Women’s Hospital in Pittsburgh.

Know Your Charities

Just as a savvy investor would never buy stock in companies simply because they solicited him, a foundation shouldn’t write checks to whatever charities come knocking. Certainly a blue-chip reputation counts—as much as it would on Wall Street. But a foundation must find out how a given charity operates, if it has a good track record, and how its mission fits in with that of the foundation. Keep in mind that the charity’s own reports are no more adequate than simply using a company’s annual report to evalu-
ate it as an investment. This is true especially, of course, for larger commitments of money. Donors should approach their research on charities accordingly—ask questions, verify information, and build an understanding.

Potential donors may be surprised, too, to find that the most familiar charities don’t do exactly what would be expected. Consider the largest charity in the United States, the Salvation Army, with estimated total revenues of almost $3 billion in 2010. Most people think of the Salvation Army as a charity that runs thrift shops and sets up bell-ringing solicitors to collect for the poor at Christmas-time. In fact, it is a church—an evangelical Christian denomination with more than 1 million members in 107 countries. Members who have signed the church’s Articles of War are considered “soldiers,” and must eschew alcohol, tobacco, gambling, pornography, and the occult, leading “a life that is clean in thought, word and deed.” The funds it collects help support clergy members who are on call 24 hours a day, and who follow detailed rules on everything from how to save a soul to how to court a prospective spouse. The Salvation Army has a solid reputation and has done incalculable good for millions of people. We are using it as an example only to show that being able to recognize a “name” is not the same as knowing the details about that charity, including its mission, what it stands for, and how exactly it would use a donor’s money.

Financial and philanthropic publications such as *Worth* magazine and the *Chronicle of Philanthropy* often issue lists—usually in December—of charities they consider efficient, based on simple formulas concerning the payment of overhead, salaries, and other expenses. These rankings can be a useful beginning for one’s research, but should not be the end.

Also keep in mind that celebrity endorsements are no guarantee of a charity’s effectiveness. In fact, a celebrity appearance at a charity event can sometimes cost the charity more money than the event raises—as much as $50,000 *per event* for first-class travel, accom-
modations, limousines, equipment rental, musicians, and technicians—and that doesn’t even include the speaking or appearance fee, which might add additional tens of thousands of dollars to the cost.

If you really care about being effective, not just feeling good, you need to look beyond—and behind—well-known names. Good people and groups come in all shapes and sizes, from nationally known to completely unheralded. Some of the most effective groups are small, local organizations that to someone not familiar with their operations might look dicey. When two rather rough-looking young men came to the home of one of the authors to pick up some used furniture for a Los Angeles drug rehab center, People in Progress, they explained that they were now driving the donation-collection truck as part of their rehab program. People in Progress, although it receives important government funding, is an example of an organization that benefits from and relies “on volunteers whose chief qualification may be that they themselves have only recently overcome the problems they’re now helping others to face,” as Michael S. Joyce wrote in Philanthropy.

After you’ve come up with a short list of potential recipients, it is helpful to look into the available public records, starting with Form 990s—the tax returns filed by nonprofit groups, which are available to the public for inspection. (Many 990s can be found online at www.guidestar.org.)

Here are some questions you should try to answer:
• How much does the group spend directly on its programs, as opposed to expenses or overhead?
• How much are top executives paid, and how does that compare with salaries of executives of similar organizations?
• How dependent is the charity on donations, and how much income does it have from other sources (endowment or sales, for example)?
While this information will help, financial statements and tax returns don’t tell the whole story. Try to read behind the numbers. For example, while no one wants to support a charity that pays its staff exorbitant salaries, $20,000 for a full-time CEO might cause one to wonder if he’s any good, or if there’s more—or less—going on than meets the eye. It can take time and hard work to dig up a true picture of a group and develop a sense for what feels right. Less experienced donors, especially, might consider using a professional foundation management service, which can save a lot of that time and money in checking out appropriate organizations.

When you’ve narrowed down your list to a few good prospects, it is time to call the charities themselves and talk to management. This may sound awkward, and not many donors actually do it. But it is one of the most valuable things you can do. You can learn a great deal of factual information about the charity and get a feel for how the people running the organization actually think about things and how they approach their mission. Based on this, you can then decide whether you want to enter into a donor-recipient relationship with them.

If the organization is local, or if you are contemplating donating a large amount, visiting the organization would be appropriate. Keep in mind, though, that when you visit, you are imposing a cost on the charity in terms of the time taken away from their regular activities. So visit only if you are really serious about supporting the group. In addition, the charity may be able to supply the names of one or two long-term or major donors as references. These donors will be in a unique position to give additional insight into the organization.

**Governing for Effectiveness**

*Governance* is just what it sounds like: the formal and informal rules by which a foundation makes decisions. There is a wide range of governance structures that might work for a given foun-
dation. During the founder’s life, it is easy—and tempting—to keep things informal. However, for long-term planning and consistency, a more formal structure is often advisable.

Structure starts with a board, charged with implementing the founder’s vision and the foundation’s mission. All board members and candidates should be fully apprised of that vision and how it relates to their work. Legally, a foundation’s board can be limited to just one member: the founder himself. But in our experience, most founders want to bring others into the enterprise—particularly if they want to begin establishing a legacy—hence the importance of a governance structure. We’ll consider here the primary questions. These include defining the chairperson’s roles and selecting the chairperson, establishing board committees, duties of board members, and selecting and recruiting board members.

The board of a foundation consists of the people—directors in the case of a corporation and trustees in the case of a trust—who have ultimate responsibility and authority for the foundation’s actions. Depending on the laws of the state, a board may consist of as few as one to three individuals, with no upper limit. Boards are generally required to hold meetings a minimum of once a year, although many meet more often.

**The Board Chairperson: Roles and Responsibilities**

Selection of a chair will be influenced by any number of factors, including family dynamics, seniority, and the knowledge, motivation, and availability of various candidates. Smaller boards—which are common to many family foundations—may want to rotate the post, providing each board member with experience and an opportunity to lead. The main disadvantage: Many founders won’t be comfortable with anyone other than themselves in the leading role.

Board members should establish the chairperson’s roles and responsibilities. Typically, the job will include building consensus,
managing dissent, executing decisions, planning for succession, and encouraging participation by younger members.

The issue of consensus is especially important and can significantly affect the direction of the foundation and its ability to act. Sometimes, of course, it will be difficult or even impossible to achieve consensus. In these situations, the chairperson’s ability to manage dissent constructively becomes critical. In the worst cases (rare in early years, more frequent in later generations), the board can become deadlocked, making continuing operations almost impossible. Even in these worst-case scenarios, however, it may be possible to break up the foundation into several smaller foundations, and thereby break the deadlock.

For example, consider the Wallace Genetic Foundation, created in 1959 by president Franklin Roosevelt’s former secretary of agriculture, Henry Wallace. Functioning very smoothly during Wallace’s life, it was split into three separate foundations in 1996 by Wallace’s three children, allowing each to pursue his own agenda without family friction.

Succession is another key area for the chair to manage. In most cases, the founders’ successors are their children or grandchildren. When this isn’t the case—or when there are several possible candidates among the offspring—succession issues will demand the full attention of the chair and the board.

**Board Committees**

The more ambitious the foundation, and the larger its board, the more likely it is that you’ll need committees to get things done. If many family members are on the board, for example, an executive committee should be established to make decisions and act between meetings of the full board. If a few members have a particular interest or expertise in some area—the city symphony, for example, or a particular human rights issue—a committee devoted to that area can be more effective than the full board.
**Directors**

In the early years of a foundation, the group of directors gathered by the founder is probably sufficient to handle most issues. But over time, there is perhaps no issue more important for existing directors than finding, recruiting, and evaluating new directors. Whether or not recruitment is to stay within the family—and especially if it is to go outside—there are a number of important issues. These start with the impact of the board structure on the selection of directors. For example, a board consisting of mostly family members may have a harder time attracting nonfamily members than one with a majority of nonfamily members. Other issues include the terms of board membership, identifying potential candidates to serve on the board, selling points to present to potential candidates to persuade them to serve, and evaluating new members before making them permanent members. Here are some key questions the board will need to address:

- **How will you find qualified candidates?** As is the case with hiring for any venture, finding appropriate candidates is critical. It’s common for directors to consider professional advisers such as attorneys, accountants, and investment professionals. Depending on the board’s relationship with these advisers, they may make good candidates. But in our view, it’s most critical to freshly evaluate even candidates you know well, looking for such factors as integrity, trustworthiness, and shared values.
- **In seeking new board members, remember that you may need to sell them on the job.** It takes time and energy to be a board member, and foundation board memberships are rarely lucrative. High-quality candidates probably won’t be attracted by any fees; it will be the board’s job to show candidates how their membership will help them further their own philanthropic ideals or generate valuable contacts for them in the community. Board members have many motives, and part of the recruitment process is determining what opportunity will appeal to the desired candidates.
- **Should nonfamily board members be in the minority?** This and other questions of structure and power on the board will be most
important to directors from outside the family. If those members will be a minority, for example, it may be harder to recruit them, or they may be less engaged once they have joined.

• **Should members have a specified term?** When a board of family members brings on its first nonfamily member, it might be particularly appropriate to create a specified term—perhaps one to three years—for that new member and all future board members. There’s one big advantage to specified terms: If the board decides it needs to remove a member, but does not want to challenge a sitting director, it can simply wait for his term to expire.

• **Should you subject new members to formal evaluations?** It may make sense to decide on a specific evaluation period for new members and to tell them explicitly that they will be on the board on a trial basis. An easy way to do this is to make the evaluation period coincide with the first term of a new board member.

Although nonprofit board members are generally shielded from many of the concerns common to for-profit company board members, it’s prudent to factor liabilities into the equation when you design a board. Among the issues to be considered are the directors’ fiduciary duties; the duty of care, skill and diligence in administering the foundation; and the need to comply with various tax and employment laws that come up when a foundation has employees.

Many states have laws that insulate unpaid nonprofit board members from most liabilities (as long as the directors don’t commit fraud or other criminal behavior). However, these laws should not be viewed as a license to be negligent. And it is worth bearing in mind that while nonprofit directors have limited liability, that does not necessarily prevent a lawsuit. For this reason, some foundations choose to purchase directors and officers liability insurance for extra peace of mind.
**Approaches to Grant Making**

*Grant making* is the technical term for giving the foundation’s money to charities, and it is the central activity of most foundations. It is the job of the founder and/or board to develop an effective approach to grant making, and, ultimately, to make these decisions.

Our experience in this area suggests that both careful analysis and trial-and-error approaches are useful. As professional advisers working with foundations, we encourage founders to approach the topic with an open mind and a willingness to experiment. Below is a brief discussion of three of the most common approaches.

**Evaluating Unsolicited Grant Requests**

A traditional approach to grant making is to sit back and wait for requests to come in. This passive approach probably works best for established foundations that are well known, whose missions are clear, and that receive a large volume of high-quality grant requests.

But most foundations cannot and should not rely on this approach, because they will get a virtually random hodgepodge of unsolicited requests, most of which are unlikely to be related to the foundation’s mission. Many foundations, particularly the least effective, lack any systematic approach to evaluating requests. There are probably as many approaches to evaluating unsolicited grant requests as there are foundations. However, the most effective foundations develop a set of criteria that fit its goals and values, then evaluate grant requests explicitly against these criteria.

**Actively Soliciting Grant Requests**

Other foundations establish a program to actively seek grant requests that meet their criteria. These criteria range from simple to complex. At the one end of the spectrum is a foundation that

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grants scholarships, such as the Buffett Foundation (created by billionaire investor Warren Buffett), which limits its funding to disadvantaged students in Buffett’s home state of Nebraska.

Somewhat broader but more complex criteria are set by the SFC Charitable Foundation, created by Buffett’s distant cousin, the singer Jimmy Buffett (SFC stands for “Singing for Change”). SFC seeks to make grants to small, well-run charities that work in the areas of children and families, the environment, and “disenfranchised groups.” At the far end of the spectrum are organizations such as the James McDonnell Foundation, founded in 1950 by aviation pioneer James McDonnell (as in McDonnell Douglas), which focuses on science and technology. In 2000, it announced the criteria for its 21st Century Science Initiative, identifying three areas: “Bridging Mind, Brain and Matter”; “Studying Complex Systems”; and “Brain Cancer Research.” The criteria describe in general terms what they mean by these topics and the types of research they would like to fund.

**You Get What You Negotiate**

For years, negotiation guru Chester Karras has been advertising his highly successful seminars by telling readers that “in business as in life, you don’t get what you deserve, you get what you negotiate.” Well, the same is true when looking for the best grant-making opportunities. If a foundation does not receive the grant proposals it hopes for, it may be time to create them.

One way is to approach potential grantees to ask about projects that could achieve the foundation’s goals. For example, when the Bond Foundation in Lutherville, Maryland, wanted to fund a program to encourage literature students to study philosophy, it proposed and helped fund the creation of such a program with one of its grantees, the New York–based Atlas Society. Since philosophy tends to be a rather difficult “sell” to most people, Atlas offers a gentle introduction to students, with an emphasis on applications
of philosophy in literature, movies, and popular culture. While still appealing to a relatively narrow group of students, the Atlas Society aims to bring philosophical thought to many people who would otherwise never be exposed. When a foundation works to create new programs, it’s often useful to build the initiative on top of existing elements, usually by finding a partner. For example, one foundation wished to create a program to teach congressional interns how to use economics in policy analysis. Instead of trying to design and build the program from scratch, the foundation teamed up with the economics department at George Mason University in suburban Washington, D.C. This fit in nicely with the mission of the economics department as well as the funding charity and worked well for everybody. By selecting the right partner, the foundation got built-in educational capability, geographic proximity, and access to facilities. All that was needed was a curriculum and a program to reach the interns.

Sophisticated donors realize that overhead is a part of every organization’s budget. In most cases, then, some of the money they donate will go, directly or indirectly, toward overhead. However, that amount is not written in stone. The overhead charged by most research institutions—universities, hospitals, research organizations—reflects the fact that most such research is funded by the federal government. Even private universities derive a major portion of their budgets from the federal government, and much of that budget comes in the form of “overhead” charges applied against research grants.

We regularly negotiate on behalf of clients to reduce the amount of a grant that goes to overhead and increase what can go to the program our clients wish to support. For example, when the Bruce and Giovanna Ames Foundation made a grant for cancer research by Stanford University professor Philip Hanawalt, the university initially sought to impose its standard 57 percent overhead charge. Out of each $100,000, Stanford planned to take $57,000, leaving Hanawalt’s program with $43,000. We were able to negotiate the
overhead piece down to 6 percent, more than doubling the money made available for Hanawalt’s research.

**Stand on the Shoulders of Others**

Isaac Newton, in commenting on his own stupendous achievements, observed modestly, “If I have seen farther than others, it is because I was standing on the shoulders of giants.” If such a towering intellect felt comfortable building on other’s work, surely we lesser mortals should, too. An excellent place for new foundations to begin developing their grant-making process is to research the best practices of others with similar goals. Such practices might be found in the foundation community, the public charity world, in universities, or in the private sector. They may also be found domestically or internationally.

In business, gaining access to best practices can be hard, if not impossible, because many of the best businesses rightly consider their practices to be valuable proprietary information. Fortunately, your nonprofit “competitors” are usually not only willing but also eager to help. It may be useful to think of scientific experiment protocol as a model. In science, an experimental procedure is tested against a known, or “control,” procedure. Researchers evaluating the efficacy of a drug, for example, will design a study to compare the effects of the drug to the effects of a placebo. Once an effective drug is found, it becomes the “control,” and future drugs will be compared not merely against the placebo but also against the established drug.

Developing an effective set of charitable programs can be similar. In our experience, it usually takes quite a bit of trial-and-error to identify a set of core programs that the foundation will support. A new foundation should expect a period of several years during which it will work to identify and fully implement programs. Once these are established, they become the control or “base case,”
and the effort to generate improved results then can build.

Of course, it’s a good idea to remember that the “best practice” can always be improved on. Working with our clients and partners, and drawing on the combination of their experience, ideas, and insight, and ours, we can develop a “better practice.” How that is done depends on the field. In more established fields where the best practices appear to be very solid, donors should emulate them. Certainly there is no foolproof method of knowing whether a “best practice” is, in fact, best. But it’s the part of the donor’s job, and challenge, to do the due diligence to make a best guess, and act accordingly.

**Outside Experts Can Make the Difference**

The philanthropic landscape is diverse. Whether the area is education, science, the arts, medicine, the environment, or any other field, there are people with far more specific knowledge than most donors will have. Unless you choose an arena in which you are already an expert, you should find experts to give you guidance.

Our approach is to identify five or six experts in, say, lung cancer research, and then ask those experts to name three or four additional researchers who are experts. We contact those names, and repeat the process.

Having identified a good list of experts, we are then in a position to call on them in a number of different ways: as peer reviewers of proposals; as advisers; as sources to help find programs and funders in the same area; as idea sources for innovative new programs, to help us brainstorm; and, finally, as evaluators of completed projects. In most cases, because we are interested in the work to which they have devoted their lives, they are more than happy to cooperate, and often at no charge or with a simple offset of expenses.
Types of Support: Periodic versus Endowment, General versus Program

One important decision for a donor is whether to give endowment or periodic support to a given charity. Endowment support means giving all the money at once. Periodic support consists of smaller gifts spread out over time. As we explained in Chapter 1, we generally recommend periodic support because it gives a donor more control. Once a donor gives endowment money to a charity, the charity is in control. If the donor’s charitable goals change, or if the charity’s goals change, the donor has already committed the money and has lost the opportunity to make sure his intentions are being matched by those of the charity.

Many charities argue that periodic support is not in their best interest, because they plan their charitable programs far into the future, and it is difficult for a charity to build long-term programs without long-term support. Fortunately, an easy solution exists. If a donor wants to support long-term programs, a donor (or the foundation’s manager, acting as the donor’s representative) can reach an understanding with the charity that the foundation will give support over the long term, provided that the charity continues to fulfill the charitable agreement as worked out by both parties. This way, the charity gets its long-term support, while the donor is assured that the charity will not change its mission or activities (or if it does, the donor has recourse).

Another decision is whether to give general support or program support. Program support is support of the charity’s specific programs. Here the results are often visible and decisive. It’s easy to feel that money is doing good when it is being used for something tangible and dramatic, such as buying blankets that go directly to children made homeless by sudden flooding. General support, also known as overhead or operating support, is unglamorous and unexciting, yet it is essential to every charity. All charities have overhead, and money for its own operations is usually the
most difficult to raise. When a donor gives money to a charity in response to a general appeal, that money will go for general support unless the donor specifies otherwise.

It’s hard to see specific results of these donations and therefore hard to evaluate their effectiveness. And it’s harder to get an emotional reward from paying for overhead, such as the telephone bill. But without the telephone to make logistical arrangements, those blankets would not get to the needy kids.

Because general support is usually more difficult to raise, a dollar of general support can be more valuable to a charity than a dollar of program support. Unless the charity does a good job of donor relations, which at its best means educating donors about the charity’s activities and accomplishments, a donor may feel as if his or her money is producing no visible results. If you have confidence in a charity, and don’t have a specific program that you want to support there, giving general support is an excellent way to help the charity pursue its mission.

It is received wisdom in the philanthropic community that a good charity is one that spends very little of its budget on fund-raising. As a consequence, most charities try to keep down their fund-raising costs and would rarely think of raising money specifically to be used for fund-raising. But for an enterprising donor and the charities he supports, this can create an opportunity. For example, a donor may put up the risk capital to launch an experimental fund-raising campaign aimed at a previously untapped group of potential donors.

Is Measurement Worthwhile?

The issue of measuring philanthropy is one that arouses passions from both skeptics and advocates.

The skeptic’s view was colorfully demonstrated by author Edward
Schwartz a generation ago in his ironic *Letter to Mr. Thomas Jefferson*:

“Life, liberty and the pursuit of happiness” seem to be the goals of your proposal. These are not measurable goals. If you were to say that “among these is the ability to sustain an average life expectancy in six of the thirteen colonies of at least thirty-five years, and to enable all newspapers in the colonies to print news without outside interference, and to raise the average income of the next colonists by 10 percent in the next ten years,” these would be measurable goals.

Those who see the benefits are equally forceful. Mark Kramer, a professor at Harvard Business School writing in the *Chronicle of Philanthropy*, represents this position well. There’s a difference between thinking you know what’s happening and having actual measures of what you’re achieving.

The foundation may look to see if the money was spent as intended. The board may feel good when it gets a report that tells how important the grant was, though such reports are usually thinly disguised preludes to further requests for money. The grant maker might even hire an outside evaluator to decide if the grant “worked” and what lessons can be learned for next time. But how often do foundations look to see if the services were delivered as cost-effectively as they were at other organizations with similar missions?

The problem with non-profit management lies right there—in the foundation’s failure to link financial support to performance. What grant makers and individual donors most often support is charisma. And they mistake leadership for management.

If, instead, foundations focused their grant making on well-managed charities and didn’t contribute to poorly managed ones, they would begin to exert forces that par-
allel a competitive market and push non-profit groups toward better performance in their delivery of services. This [would] redound to everyone’s benefit, because as charities become more efficient, they begin to have greater impact, and both the charities’ and the foundations’ limited resources can go further in tackling society’s problems.

Historically, donors have not been very forceful in seeking or demanding measures of effectiveness. Corporations that donate money probably face the most pressure to do so, because they have shareholders to answer to. Yet even among corporations, fewer than half (44 percent) do any measuring of their philanthropy’s impact, according to Myra Alperson, author of Building the Corporate Community Development Team, a book published by The Conference Board. “I use the term social investment,” says Alperson, “to describe how corporations should view their giving. And since it’s an investment, it follows that it should have a return.”

Pressure may build on corporate donors to measure and publicly justify to their stockholders their corporate philanthropy, in light of recent scandals. For example, it was reported in 2002 that Citicorp chairman Sanford Weill had donated $1 million of stockholders’ money to Manhattan’s exclusive 92nd Street Y nursery school, allegedly in part to help get places in the school for the twin children of former star stock analyst Jack Grubman. Allegedly, Weill wanted Grubman to change his rating on the stock of AT&T, an investment banking client of the firm. (The New York Post ran the story with the headline “Jack Grubs Slots for Tots.”) It was the kind of PR a corporation hates to see associated with its charitable giving programs.

But what about foundations? Do individuals who create foundations need to worry about measurements? An investment metaphor applies here as well. Few people with the wealth to establish a foundation would invest much of that wealth without some idea
what a successful investment would look like. Their yardstick might be a hurdle rate, a number of years to payback, a target rate of annual return, or something similar.

When it comes to philanthropic giving, it’s considerably harder to measure results. Nevertheless, it is important for donors to ask themselves, “How will I determine whether and when my philanthropic goals are being achieved?” Keep this in mind when evaluating charities and programs, and pose the question to their officers.

Many major donors want more than mere assurances of progress from the beneficiaries of their largesse. That’s in part because, historically, charities and foundations have too often been willing to engage in what Jed Emerson, senior fellow at the Hewlett Foundation, calls the “dance of deceit.” This, according to Emerson, occurs when foundations state goals but don’t do much to assure that the grants actually support the goals. The charities learn to “contort themselves to accommodate the stated funding interests of the foundation” and then simply assure the foundation that it is supporting the foundation’s goals, when, in reality, the “charity pursues its own work in whatever way it sees fit.”

“Like any other customer, donors want a modicum of service for their money,” says Fleming Meeks, assistant managing editor of Barron’s. “I think people today want to see more specific results and to hold organizations accountable,” observes Chicago-area donor Chuck Frank, who supports the Sierra Club and local causes. “They’re unwilling to say, ‘Here, take my money and I hope you do well.’ Giving now is much more specific, with strings attached.” In deciding what strings should apply, it can be useful for a donor to get input from an outsider who isn’t emotionally invested in the outcome and will do real analysis.

Progress toward some goals is relatively easy to measure. For example, if a donor is supporting his city’s opera company, it’s
easy to determine whether the shows did go on. Even certain social service outcomes are quantifiable. “Things like literacy rates or immunizations you can measure quite well,” notes Dorothy Ridings, president of the Council on Foundations, a clearinghouse for much foundation information (see Resources).

However, other charitable endeavors are often harder to evaluate. “Some of the most intractable social problems are the hardest to get a handle on in terms of success,” says Ridings. “When I see this enthusiasm for measurable outcomes, I just hope donors are realistic and won’t be disappointed when they can’t ‘end poverty,’” The chances are that you will not be able to end poverty—just as Andrew Carnegie, with all of his money, was unable to achieve world peace. But in these cases, the problem is the choice of goals, not the attempt to measure results.

Faced with the difficulty of measuring charitable achievements, too many donors simply give up. But giving up is not the responsible course.

Many in the charitable community, especially those raising money, have a general dislike of measurement. Good stories sell better than statistics. In fund-raising, measurement yields fairly dry results that don’t work as well as human stories. For example, Covenant House, a New York-based charity that helps runaway and abused children, has raised millions of dollars over the years by using poignant tear-jerking stories about individual kids in their fund-raising and almost never mentioning a statistic. (Incidentally, Covenant House has had to overcome terrible publicity from a scandal involving its founder.) We’re not suggesting that the work of Covenant House doesn’t achieve real results. But a lot of charities like to follow this same pattern in their public relations. The last thing a typical fund-raiser wants is carefully derived statistics that contradict the human appeal story or show that the good was done at exorbitant cost.
Another concern we hear is that measuring will cause the wrong things to be done. Peter B. Goldberg, president of the Alliance for Children and Families, does not want measures to “drive you to do only what you can measure instead of measuring what you should be doing.” Yet a donor who cares about effectiveness must insist on some type of measures, even if these are only subjective impressions of people he trusts.

Emmett D. Carson, president of the Minneapolis Foundation, makes a trenchant point about the difficulties of measurement. “I can’t count social attitudes or race relations,” he told the New York Times. “The toughest work is the [least] countable.”

Yet this is not a repudiation of the importance of measurement, but instead an affirmation that it is important. After all, if the goals being supported are the most important, then effectively advancing them is also important. And it’s the charities themselves that are often in the best position to measure and track effectiveness. As donors evaluate charities, they should pay attention to the charities’ own attitudes toward measurement. The best charities will welcome questions about their success, will have thought long and hard about the issues, and will give informed answers. If a charity tries to steer a donor clear of measurement issues, that’s a signal to donors to think twice before supporting it.

Many donors view measurement as too difficult, so by default their process of making funding decisions boils down to funding “whatever we did last year.” Instead of a redoubled effort at devising intelligent measurement, they essentially throw up their hands. For example, philanthropy researcher Odendahl cites a donor who says, “We usually, if everything works out all right, will probably give the same thing next year, or slightly increase it, or if something happens that lowers our opinion of that particular charity, we’ll decrease it. It’s really very, very subjective. At this point, I don’t know how to make it anything else.” This donor doesn’t have high expectations. He would probably find pleas-
Establishing Measures

Establishing measures is not easy, but it is not impossible, either. Consider the battle against cancer. Waged on many fronts, over many decades, the battle continues to consume huge resources. But is it being won? Fortunately, we don’t have to answer this big question. Better questions are whether a particular program is achieving its goals and how its performance stacks up against similar programs. Is a breast-cancer screening program reaching the number of women it’s supposed to? Is a children’s cancer relief fund helping the number of kids it promises to? If there is another
program pursuing a similar mission (chances are good that there is), how do the programs compare in cost and effectiveness?

At least one grant maker, the Edna McConnell Clark Foundation, looks intensively at prospective grantees in an effort to answer these sorts of questions. Before a grant is made, the foundation investigates potential recipients, focusing on seven factors: mission, social impact, financial health, management capacity, operational viability, evaluation processes, and technological capability. The foundation has developed a “theory behind evaluations,” which informs their own evaluation efforts and is intended to serve as a model for the foundation community (see Resources).

The Roberts Foundation is also devising a way to measure seemingly intangible results. The foundation was started in 1986 by George and Leanne Roberts. (George Roberts was one of the founders of the extremely successful investment firm Kolberg, Kravis and Roberts.) In 1997, it started the Roberts Enterprise Development Fund, which is spending millions of dollars to measure social outcomes. The Development Fund supports 23 nonprofit businesses in the San Francisco Bay area that employ homeless people, recovering drug addicts, and people with mental illness. To measure results, the fund looks at data from each agency—debt, grants received, and other income—and gathers “soft” information from employees by surveying them every six months on such factors as housing status and drug use. The benefits to clients and to society (in the form of tax dollars generated by wages and the reduced cost of social services) are set against an organization’s costs, producing a ratio that the Development Fund calls the “social return on investment.”

For example, Einstein’s Cafe, opened in 1997 in San Francisco’s Sunset district, gives homeless youths the opportunity to learn the food service industry and acquire marketable skills. The fund reports that in 1999 the cafe generated $12,389 of public savings per employee and $1,023 in new tax revenues. Employees’ annual
income rose by an average of $6,823. Things don’t always work out as planned, though. Einstein’s Cafe closed and no longer provides these opportunities.

This kind of measure may not work in every situation, but it represents a useful and powerful way of thinking about measurement. Keep in mind that grant makers taking these approaches face a fairly steep learning curve. However, over time, the foundation will gain expertise and become far more effective.

**Provide Feedback**

Public charities, from the local church to the American Red Cross, typically have boards or presidents that have formal, legal control over the charity’s actions and make key decisions about what it does and how—about measurements, fund-raising, and other issues. However, this does not mean that a donor has no voice.

While many, perhaps most, charities do not actively solicit input from donors, donors can have valuable insights. It is donors’ responsibility to make sure that they communicate their ideas. If a donor gives $100 a year to the Red Cross, he can’t expect its officials to spend hours listening to his critique on how they should do their jobs. But if a donor gives $10,000 a year to a local church or temple, its leaders will probably be quite interested in his opinion—especially if he’s done his homework and respects the many pressures under which they operate.

Whenever a donor cuts off significant support for a charity, he will be doing the charity a service if he explains why. Charities typically don’t know enough about their donors and what motivates them, so any information a donor (or ex-donor) provides can be valuable.
Give Wisdom in Addition to Wealth

Successful individuals contemplating charitable donations often focus on what their money can do. But many charities need not only money but also wisdom and experience. Donors can do well by donating the skills and know-how that got them where they are.

“When you go and fund somebody, typically they say, ‘All I need is money,’” notes philanthropist Mario Morino, who created his wealth in the software industry and now heads the Morino Institute. “But often they need a lot more than money and sometimes they don’t even need the money, they need management or other help—everything from training to deploying and managing technology.”

When two former America Online presidents—Bob Pittman and Barry Shuler, and their wives—pledged $30 million to a new building being planned by the Corcoran Gallery of Art and the School of Art and Design in Washington, DC, one said, “The cash is one component of the gift. The other is our commitment to working with [the museum director] and his team, and thinking through how the Internet and technology are going to transform the art and media world.”

Nonprofits especially tend to need management expertise. Probably because they don’t face the market discipline of profit-and-loss statements or the wrath of unhappy shareholders (as we’ve seen, some pride themselves on focusing on the intangible and avoiding the strictures of measurement and accountability), many charities have not developed strong management structures. “Far too many nonprofits believe that good intentions are sufficient,” management expert Peter Drucker told Barron’s: “They lack the discipline—the imposed discipline of the bottom line.” Comparing business and charitable management, Drucker concluded, “Nonprofits today [i.e., 2000] are probably pretty much where American
business was in the late 1940s, [when there were] a few outstandingly effective, well-managed companies, and the great bulk of them [were] at a very low level. In the business world, the average has risen dramatically. Yet the vast majority of nonprofits are not so much badly managed as not managed at all.”

Many managers of nonprofit groups are less-than-competent managers. They may be highly competent in their fields, but then, many excellent doctors make poor hospital managers, and many excellent teachers make poor school administrators. What exacerbates this problem is that too many donors and nonprofit directors are willing to tolerate incompetence and inefficiency. Even donors who care deeply about the missions they support often rationalize about the effectiveness of organizations they support. They feel that something is better than nothing, and they therefore underwrite an inefficient operation. Adviser Andy Bewley explains, “While I’d never expect a donor to say this in public, for fear of encouraging inefficiency, I think in their heart of hearts many realize that if they give one thousand dollars and only one hundred dollars goes to help homeless kids and the rest is wasted, that one hundred dollars is still doing more good than the one thousand dollars would staying in their bank account.” He goes on to stress that it is even better if a donor is able and willing to help the organization become more efficient.

**Give Strategically**

In the excitement of the dot.com era, the notion of contributing business expertise along with dollars came to be associated with the terms *venture philanthropy* or *social entrepreneurship*. While philanthropic thought and practice has been evolving over the years, these terms can be traced to a 1997 *Harvard Business Review* article, “Virtuous Capital: What Foundations Can Learn from Venture Capitalists,” and *venture philanthropy* has recently received a lot of publicity. (Research for the *HBR* article was funded by the Rockefeller and Pew Foundations.) The article focused on “the
organizational issues that could make or break the nonprofit,” urging charities to strengthen their management.

Venture philanthropy “combines the passion of a social mission with an image of business-like discipline, innovation, and determination,” says Stanford Business School professor J. Gregory Dees. While the current fashion is to view venture philanthropy as new, Dees’s formulation is virtually identical to that expressed by Rockefeller nearly a century ago. Rockefeller demanded that the administrators of his charitable enterprises “have the exactitude of scientists, the sound economy of businessmen, and the passion of preachers.” Although we can’t prove it, it is easy to speculate that the resurgence of interest in venture philanthropy is related to the resurgence of entrepreneurship, which occurred with a vengeance in the late 1990s. The economic environment of the 1990s had many parallels to the environment that produced the great fortunes and philanthropists of the Gilded Age. Paul Shoemaker, a former Microsoft executive who runs Seattle’s Social Venture Partners, elaborates: “In our case, [venture philanthropy] means long-term, sustained relationships with non-profits; imparting business skills and expertise as well as money; a focus on giving general operating grants; and trying to be invested. These organizations need more than money; they need human and financial capital. Each part is necessary but insufficient [on its own].”

Steve Kirsch, founder of Internet firm Infoseek, put $70 million into the Steve and Michelle Kirsch Foundation during the late 1990s. With the collapse of Internet stocks, the foundation shrank to just about half that by mid-2001. Kirsch attempted to reorient the foundation to be more in line with the reduced circumstances. Kirsch sought to be very hands-on, personally reviewing many proposals. He looked for “Market opportunities, areas not being funded by traditional sources. For instance. . .three-year grants to accomplished scientists; older researchers find it hard to get funding for a new field of study.” He wanted to do more than “just write checks.” And he did.
Then tragedy struck, when Kirsch was diagnosed with a rare form of cancer called Waldenstrom’s Macroglobulinemia. Again, the foundation was rocked. After “extensive deliberation” the board decided in 2007 to cease being a private foundation, let all its staff go, and function as a supporting organization for research into the rare blood disease. As the Yiddish proverb says, *Mentsch tracht, Gott lacht, Man plans, God laughs.*

Like Carnegie, Rockefeller, and others before him, Kirsch also wants to be sure that his donations strike at the root cause of problems. “Rather than feeding homeless people, I’m more interested in preventing the problem in the first place.”

There is “a lot of talk about reinventing how giving works,” notes Stacy Palmer, editor of the *Chronicle of Philanthropy.* “That same conversation was going on at the beginning of the 20th century.” The early industrialists brought an aggressive, hands-on approach to giving and carefully chose the causes they supported—just like the new high-tech donors. The dot.com philanthropists “are actually looking to Carnegie in many ways,” Palmer says. “Whether they know it or not, he’s a role model.”

While some nonprofit managers view this sort of hands-on, aggressive approach as meddling, others welcome it. “Everyone I’ve spoken to with a venture philanthropist on board views it as a godsend,” says Albert Ruesga, director of New Ventures in Philanthropy, a program of the Regional Association of Grantmakers. “To have someone who cares enough about the organization to stick with it and give time as well as money, I’d cry tears of joy.”

Some venture philanthropists structure their giving the way they would structure a business venture: They give seed capital and see which area sprouts the most promising results. When Bill Coleman, chairman of San Jose, California software maker BEA Systems, gave $250 million to the University of Colorado for research on mental disabilities, he started by giving the school smaller
amounts to survey the research fields and figure out how his larger gift would have the greatest impact. He also negotiated with the university to have the new Coleman Institute for Cognitive Disabilities—rather than the entire university—retain ownership of any new developments, so that it can plow royalties or other earnings back into research, instead of having that money disbursed (and dispersed) to unrelated university projects.

Even if a donor doesn’t have specialized business expertise, she can be actively engaged. Lois B. Pope is neither a doctor nor a business executive, but a former actress who inherited her money from Generoso Pope, Jr., the late publisher of the National Enquirer. She donated $10 million to help pay for the Lois Pope LIFE Center at the University of Miami School of Medicine, which will house the Miami Project to Cure Paralysis. Mrs. Pope will have office space in the new building and says she doesn’t hesitate to ask questions of university officials or other recipients of her grants. “Involvement by donors is always very important,” she says.

“Mrs. Pope is a giving person, but at the same time she wants to make sure that the money she is donating is well spent,” says W. Dalton Dietrich, scientific director of the Project. “That’s why she asks so many questions. We speak quite frequently about the science we are doing.”

Whether a donor sees himself as a venture philanthropist or a traditional philanthropist, conversations with recipient organizations are important—not just to make the best use of the donor’s money, but also to ensure the continued vitality of the nonprofit sector. Like other sectors of the economy, the nonprofit sector is subject to market forces. Although the demand for nonprofit services, and the capital to provide them, create unique dynamics, the principles of adaptation and survival still apply. As a result, the actions of venture philanthropists, and those who think like them, are inspiring the nonprofit sector to evolve in the direction of greater efficiency, greater effectiveness, and hence, greater relevance.
Today, you don’t hear the term *venture philanthropy* very much. But the ideas and techniques of effective philanthropy continue to be developed and refined, whatever the name.

One enormous difference, however, between the philanthropic world and venture-capital world (or any part of the for-profit world) is that the bottom line continues to be very elusive and hard to measure in many charitable pursuits. So it seems likely that aggressive philanthropists will continue to come up with new approaches, and new names for old approaches, in their ongoing effort to solve difficult, real-world problems.

**Exercise of Leverage**

Leverage is key in the nonprofit world. By leverage, we mean getting a single dollar of a donor’s money to do the work of more than a dollar, preferably two or three or more. If a grant can help attract more money to a cause, a foundation can multiply its effectiveness. Various approaches can ensure that a gift to a charity is leveraged as effectively as possible. It is not uncommon for a dollar of a donation to result in two, three, or even four times as much money being put toward the foundation’s mission. This is one of the ways the most sophisticated charitable foundations achieve maximum results.

Leverage can be applied in a number of ways. For example, a client of ours recently wanted to make a significant grant to a charity that assists philosophy students. We learned that the charity, which receives important support from a large number of members, was experiencing a drop in membership. Drawing from experience with similar situations, we recommended that our client make his grant in the form of a matching grant to encourage lapsed members to reactivate. He did, and membership levels recovered.

The timing of gifts can be an important part of leverage. As in poli-
tics, early money sometimes speaks loudest, allowing small seed grants to grow into major self-supporting programs. Disbursed at the right time, thousands of dollars can create millions of dollars of new programs. It is also important to know when to delay a grant, perhaps because of technology issues, expected government policy changes, additional funding, or other factors. For example, three Pittsburgh foundations—Grable, Heinz, and the Pittsburgh Foundation—announced in 2002 that they were temporarily suspending grants to Pittsburgh schools scheduled to total $3.8 million because they were so dissatisfied with the state of the schools. The action got the attention of Pittsburgh’s mayor, city council, and school board. Max King, spokesman for the Heinz Foundation, explained that the foundations were taking action now to influence the $485-million-budget district. “Why wait until the situation is hopeless?” he says.

Experts can help a donor and her foundation choose the most leveraged place to invest. In the medical field, for example, a donor must choose between pure research, applied research, short-term maintenance solutions, care-giving, and curative processes. By working with experts in the field, professional foundation managers can help a donor determine the best place to make a difference.

**Make Foreign Donations Deductible**

A personal donation to a charity is tax deductible only if the charity has been recognized by the IRS as a qualified tax-exempt organization. For charities in the United States, this does not present a problem. However, there are a great many foreign charities that do good work but are not recognized by the IRS because they have not applied for such status. Most charities in places like India, Asia, Africa, and South America have much more pressing uses for their scarce resources than to use them applying to the IRS for tax-exempt status. (Note that contributions to charitable organizations in Canada, Mexico, and Israel that are similar to charitable organizations in the United States are deductible under the appli-
cable income tax treaties with those countries; see Publication 526 for more details.)

Whether it’s creating scholarships for university students in Argentina or funding medical clinics in India or scientific research in France, a private foundation can provide tremendous financial leverage—with proper professional advice—by making otherwise nondeductible gifts deductible. If a donor would like to support a foreign charity, he can do it with tax-deductible dollars by using his private foundation.

The idea of making foreign donations is simple, but the procedure is fairly complex and technical. Before making the donation, the foundation must follow the due-diligence procedure required by the IRS. This is another area where experienced foundation professionals can add value. It will usually be more cost-effective to seek help from professionals who are familiar with IRS regulations and procedures and who can readily complete the due-diligence for the foundation.

**Use Public Relations Effectively**

Proper, effective use of publicity can greatly aid a foundation in achieving its goals. For example, the Mark McGwire Foundation used the St. Louis Cardinals player’s fame during his late 1990s home-run derbies to increase awareness about child abuse and to raise money to fight it.

Most foundations do not have a world-famous athlete to help get their message out. However, there are many creative ways for foundations to use publicity. The Susan G. Komen Foundation, sponsor of the Race for the Cure, has been able to raise millions of dollars for breast cancer research through well-placed publicity. This kind of strategy requires articulating a cogent message, targeting the audience, generating an appropriate “hook,” and getting the message to the appropriate media.
Foundation managers with experience in publicity in the for-profit world can offer valuable insight and have relationships with public relations experts who are experienced in the nonprofit arena.

Conversely, there are times when foundations wish to avoid publicity. Perhaps they are pursuing an experimental line of activity that they don’t want to commit to publicly. Or maybe the founder has a desire to support a cause but doesn’t want his name associated with the support.

Whether a foundation needs to take advantage of the opportunities publicity can offer, or avoid it altogether, professional managers or consultants can help the foundation’s board reason through the alternatives and develop methods to reach the desired results.

**Create Financial Leverage through Tax-Exempt Financing**

In certain circumstances, such as when a foundation is making a large grant to finance the construction of buildings for a grantee organization, it may be possible to leverage the value of the grant by obtaining tax-exempt financing. This is a complex undertaking, involving many specialties, and it requires professional assistance. Given the right circumstances, however, tax-exempt financing can be feasible for surprisingly small amounts of money, in some cases less than $10 million. While a full discussion of tax-exempt financing is beyond the scope of this book, any foundation contemplating the financing of construction for grantees should be aware of it before making such grants and make arrangements well ahead of time with the help of professionals.

**Let Your Foundation Do the Dirty Work**

There are certain aspects of being an effective philanthropist that can be personally unpleasant or uncomfortable. Examples of these
are rejecting grant applications and engaging in tough negotiations with charities.

Many wealthy people find there are more good causes than they have money to support. Often those who have done well for themselves, especially those who have a reputation for being generous, receive many unwanted requests for funds. It is sometimes uncomfortable to say no to such requests. Yet good business sense dictates that no must often be said. A foundation should focus on the founder’s mission and not allow itself to be used as the Community Chest.

Facing such pressure, many founders are pleased to have a professional say no for them, politely and respectfully. The best way is to tell those who request money (often friends of the donor) that their charity is great (if it is) but does not fit within the current foundation guidelines. A foundation manager can let the persons know that their work is respected but that the foundation has other priorities.

Delicate negotiations with charities are an area in which it can be particularly helpful to have that third party. For example, if a donor wants to gain a formal role in an organization for himself or his children—as a board member, for example—this can be awkward to pursue himself. A representative acting on his behalf can easily, comfortably, and confidentially explore the possibilities for such positions. A professional who brings experience and credibility in the nonprofit world will find it easier to make inquiries and may also be able to negotiate successfully in situations in which it would be difficult for a donor to do that directly.

Similarly, a donor might wish to be on advisory panels of public charities. Often it works more smoothly to have a representative prepare a nonprofit vita for the donor and act as a “broker,” discussing the donor’s strengths and interests with charities. This way, the representative acting on the donor’s behalf can find the
best place for the donor to use his knowledge to advance the mission of a specific nonprofit. A representative can also research the time commitment needed, the other members, and the reputation of the board or panel, so that a donor can make sure it is worth his time and energy. When there is no fit, the representative can save the relationship between the charity and donor by sparing the donor’s ego.

**Conclusion**

This chapter has touched on many of the issues involved in maximizing the effectiveness of a donor’s philanthropic efforts. If there is one point we wish readers to take away, it is that giving away money and making that money perform is hard work. If a foundation doesn’t get that work done somehow—whether the directors do it or it is delegated to professionals—that foundation is wasting a portion, perhaps a large portion, of every dollar it does give away. Thus, it is imperative that founders and directors explore their options and employ those methods that will make their charitable giving as effective as possible.
“A copy...should be in the library of every philanthropist and foundation.”

Thomas L. Norris, Jr., Of Counsel, Poyner Spruill LLP

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