

New Philanthropy by Bill Somerville

In California, there are 6,000 foundations. In Northern California in 2003, foundations gave out \$3 billion. I want to address myself to what I call professional giving – that is, giving by foundations versus giving by individuals.

A while back I wrote a paper differentiating between a gift and a grant. People give gifts; professionals give grants. A gift, for the most part has no expectation *other than* “keep up the good work,” whereas a grant has a contract, called a proposal and has clear expectations.

We all know that 84% of the philanthropic dollar comes from individuals. What would it be like if people, individuals, started giving grants with expectations?



My friends, with regard to professional philanthropy in America, we should raise our expectations. It can and should be doing more. Let me explain.

After being in non-profit and foundation work for 46 years, I have become a student of philanthropy because I am aware of the fact that there is so much more to know. From my experience, I have come across 5 areas where philanthropy can improve.

First, philanthropy is too passive – for the most part it waits for the mail. There is nothing in the rulebook that prevents philanthropy from taking the initiative and causing things to happen – thus causative philanthropy.

I know that many of you are concerned that this becomes exclusive philanthropy. Not so. Philanthropy needs you. It needs people with ideas. Let me go on and show you how this happens.



Philanthropy is too anonymous – the tendency too often is to fund paper, not people. We get the proposal and process it over and over, hoping to create some sort of relationship. A proposal is only a listing of ideas. It is people who get things done.

The challenge in my work is finding outstanding people, because they tend to do outstanding work. I am trying to tell foundation program officers that your place is not at a desk behind a computer. It is out in the community, exposing yourselves to new people and getting out of your comfort zone. Good people are not a dime a dozen and we need to make more effort to find them. This is true for all of us – the nonprofit world and the funding world.

I think foundation personnel should be inviting people to apply for grants.



Foundations and philanthropy are risk-adverse. They suffer failure poorly. There is the concept of venture philanthropy – a term I started using in 1985 when I watched venture capitalists and how they work. They look for people with good ideas, they invest in them with an element of risk, and they look for a good return for the investment. This is exactly what philanthropy should be doing, looking for good people and investing (not giving away money), taking risks, and looking for a return in terms of impact. The investment concept between foundations and the human service sector needs more attention paid to it. Frankly, I have trouble when someone asks would I give them a grant. The whole tone is wrong. We are co-equals in this relationship.

If the world is to get better, we're talking about change and change is synonymous with risk. Risk means that in your professional judgment, something is worth a try even though you are not sure it will work. It is not a gamble wherein one leaves it up to fate, like throwing dice.

Bill Hewlett would say to his engineers that if they had no failures, they weren't doing their job right. If you take risks, you will have some failures. If you have no failures, you haven't taken any risks. In a sense, a failure is a learning experience and we can be better for it.

Philanthropy needs to take more risks and be tolerant of the fact that you too should take risks in the nonprofit arena.

The timing of giving grants is off. Foundations give at their convenience. They call it a schedule. It is axiomatic that grants given when the money is needed can have a greater impact. This is especially true of smaller grants.

An example of responsiveness is the Packard Foundation. The executive director can give grants up to \$50,000 and a sub-committee of the Board can give grants up to \$250,000 in two weeks.

It is interesting to note that most foundations work on a format where a proposal comes in, the program staff processes the proposal in an effort to evaluate it, the staff person makes a recommendation which, in most cases, is accepted by the foundation grants committee, which then sends the request to the Board for final approval.

Question: Why not let the staff make the grants? This eliminates pro forma reviews and rubber stamp approval by two bodies and the delays they require. I'm advocating this format all over the United States because it makes sense.

And number five, philanthropy is problem-oriented; so is Western civilization. We consider ourselves good problem solvers but we tend not to act until something is defined as a problem. In other words, we are reactive.

I have found that when a foundation asks, "What is the problem?" it seems this is interpreted that the worse we make it sound, the better our chance of getting money.

Why not go in a different direction? My commodity of exchange is ideas – what is it you want to have happen and how do you propose bringing it about. I think funding ideas is a much better philanthropic investment than funding a problem.

Let me give an example – teenage pregnancy. It is epidemic in the United States. We can talk about how bad it is, the role of poverty, the incidence of abusive parents. Or, we can talk of the promise of self-esteem and hope: girls seeing a future for themselves. In response, we have been funding a dance company in Palo Alto for 20 years. We got to know the program and the Director. We talked them into adding a new dimension to their program: reaching out to girls from East Palo Alto. Now, 10,000 girls later, we see decreased pregnancies with the girls. These girls are engaged in productive activities, physical exercise. They have created friendships and support groups with the other girls. They have been exposed to new programs, improved social skills and body image.

This is the difference between focusing on the problem and coming up with ideas for funding. Ideas mean one has to think creatively. I welcome creative thinking because it is exciting and it is positive.

To summarize, the five areas in which foundations can improve philanthropy are:

- Taking the initiative
- Finding and funding outstanding people
- Willingness to take risks
- Speeding up the giving process
- Funding ideas, not problems

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I publish a newsletter called *Dialogue*. A development officer asked me to do it ten years ago and we are now in issue #36. Ask me any question on the private dollar and I will get an answer for you. It is free and available on-line and in the mail. Give me a card and I'll put you on the list.

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In the last *Dialogue* newsletter I made some predictions for professional philanthropy. I have to admit that some of the predictions are things I hope will happen:

- I think foundations will move away from just waiting for proposals in the mail, to a willingness to take the initiative and cause things to happen.
- On-line giving will be short-lived. It is too anonymous.
- Corporate involvement in professional giving will increase significantly, as we have seen with Fidelity Investments.
- Foundations will be more willing to venture in making grants and to accept some failures in grants made.
- With the exchange of wealth over the next twenty years, there will be an explosion in philanthropic giving.
- The philanthropic field will be dominated by women.
- The public will become more demanding of philanthropy.
- There will be more focus on results in grantmaking - what is significant, high-impact, how to measure accountability.
- Electronic communications with foundations will increase and challenge the concept of creating relationships between the giver and receiver.
- Philanthropy will become more amorphous as more younger players enter the field.

I'd be delighted to hear your predictions or hopes for the future of philanthropy and it is important for you to speak up because, you are experts on philanthropy from your vantage point.



When you look carefully at philanthropy, it is interesting to note that nothing in the law prevents doing spectacular grantmaking and nothing in the law gives sanctions for mediocre work. We are in a field without standards. This situation is unique. The business world is under entirely different standards.

It is up to us to define excellence in philanthropy and define accountability. In contrast, one senior foundation executive said to me, 'We do marvelous work. Isn't that what we hear all the time from the people we fund?' He said this tongue-in-cheek. What are the factors of excellence in the exercise of philanthropy? There isn't one answer, the field is evolving but there are expectations we can put on ourselves. Here are some I came up with:

In the next year as a funder:

- Have 7 new high risk grants
- Create 3 new ways to revitalize your staff
- Develop 2 new approaches to measuring grant impact
- Find 4 more grassroots people doing outstanding work
- Create 3 additional services to help nonprofits operate better
- Have at least 2 failures in grants made
- And create 4 new methods to giving out grants

Who in our society has a guaranteed annual income? It is people with an endowment such as foundation executives. We could have an economic recession and they would still receive their salary. Because of this, they are more secure than most people, and they could take more risks.

Question: Is it your experience that foundation personnel take more risks than other people? You should raise your expectations of philanthropy.

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The primary element in my work is trust. It is a wonderful lubricant to help things happen. With trust we don't worry about cheaters, ulterior motives, etc.

At Philanthropic Ventures Foundation (where I am Director) our motto is "find people you trust and fund them." But trust comes from relationships and we need to pay more attention to this. In the *Dialogue* newsletter, I refer to this in every issue.

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All grantmakers want to make significant grants. It has become a generic term. But what is "significance?" Significance indicates having an impact. Impact means something positive happening. To be more specific, let me say some things that I feel that help define significance.

- The grant should have an element of risk in it, i.e. trying a new approach
- The grant should reach out to new population groups
- The grant should be given on a timely basis – when it is needed
- There should be trust between the funder and the grantee

- It should be possible to see a positive outcome from the grant
- The grant should fund the product of creative/original thinking vs. responding to a crisis

At Philanthropic Ventures Foundation, in an effort to demonstrate new forms of grantmaking, we give out \$5 million a year, we have no deadlines, no application process, and our grants are made in 48 hours. This isn't radical, it is the way grantmaking should and could be done.

A while back we sent a notice to 47,000 teachers in the Bay Area, and I went on television to announce resource grants to teachers – the first time ever that available grants were so publicized. The grants were \$500 for a field trip or science supplies or arts materials. The announcement was one page and all that the teachers had to do was to fax their requests to us. We issued a check in 48 hours. Teachers called this the “fax grant program” and we have given out over \$3 million in such grants.

Now a group has created *Donors Choose* wherein any teacher can post her request on their website and anyone can give to that teacher's project.

We recently sent out notices to 10 programs serving poor people on the grassroots level saying that if there is an earthquake, flood, or fire that affects the community at large, we guarantee an immediate \$25,000 for their emergency use in the first five days.

We're trying to push the envelope of philanthropy to demonstrate its full potential. An example fully involving the concept of trust is paperless giving. We meet, your idea is worthy, your reputation is sound, you and I estimate what the costs are, I go back to my office and send you a check with a cover letter stating what it is for. You sign and return the letter, acknowledging receipt of the check and agreement with the letter. That's it. Radical? I don't think so. Logical? Yes, with all the necessary components of a grant – the agreement regarding what will happen and the receipt.

This is a new genre of giving – the immediate response grant. It is based on trust. It is efficient and it is appreciated. It isn't that new in that most foundation executives already have discretionary giving power if they want to use it.



Personally, I am trying to get out of my comfort zone and meet new people and now this has led to a new initiative – what I call the miniature foundation.

We came across a Hispanic journalist in the Fruitvale district of Oakland. She seemed to know everyone, she was optimistic, energetic, and bright. She named off all sorts of things that needed funding, so we gave her \$10,000 and said, “Let’s see what you can do with it.” She recently sent us a report on her funding decisions and it was stunning. I should imagine we will do more of this sort of thing.

In the same vein, I met with the teachers at an elementary school next to the Cow Palace – a very low-income area. Each teacher had something they needed: jump ropes, computers, books, etc. So, I told them, “You decide,” and gave them \$10,000 as a pool fund for them to use. First time ever they had this happen.

Lastly, on February 21st, I start teaching a course at Laney Community College, in Oakland, called “Understanding Philanthropy.” I think this is the first time such a course has been taught at a community college to working-class people. I’ll keep you posted.



I marvel at the human service programs that abound in our society. I think they are a keystone in our democracy. Behold the marvelous people who make all these programs possible. There is a symbiosis between them and me. I need people with good ideas; they need resources to make things happen. As I said, it is a coequal relationship.

My tool is money but it isn’t my money. It isn’t my foundation. I am but a stagehand in the theater of life, hoping to help make things come out right.

It is thrilling to work in this field with people like you, to have resources that can make things happen. One of my biggest joys is to help people be creative, to have a vision, to be optimistic. Keep up your good work.