Social Compact In A Changing World

How philanthropies are grappling with growing scrutiny and critique.

ROCKEFELLER PHILANTHROPY ADVISORS

About this Paper

This paper is an expansion of a concept introduced in *The Philanthropy Framework,* a publication of Rockefeller Philanthropy Advisors Theory of the Foundation® initiative, which seeks to enhance the capacity of philanthropies to effectively align their resources for the impact they envision. *The Philanthropy Framework* is a tool for analyzing how a philanthropy makes decisions, interacts with others and the broader society, and utilizes its capabilities and resources. The Framework is comprised of three elements:

- Charter, the organization's scope, form of governance and decision-making protocol.
- Social compact, its implicit or explicit agreement with society about the value it will create.
- Operating model, the approach to the resources, structures and systems needed to implement strategy.

Visit TheoryoftheFoundation.org for more detail on this initiative and to read the full publication. You can also request a hard copy of the publication by emailing info@rockpa.org.

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Introduction

When, in the early part of the 20th century, John D. Rockefeller tried to set up a national foundation, increasing public distrust of extreme wealth contributed to the US Congress turning him down.[1] Not much has changed in the 100 plus years since. Today, some public intellectuals, opinion leaders, and other public figures continue to criticize private philanthropy.

A recent example is the backlash sparked by the $1 billion pledge by private donors in the wake of the fire that devastated Paris's Notre Dame Cathedral. The outpouring of generosity for restoration prompted anger that such a large amount was directed to an architectural monument, rather than to remedy persistent inequality or address other social justice needs. Private philanthropists were attacked for potentially receiving tax breaks for their donations, with commenters opining that if the wealthy paid their fair share of taxes, the French government would have the resources to both reconstruct the cathedral *and* address socio-economic inequalities.

Throughout Europe, many are pushing back on what they perceive as an inappropriate influence on public policy by private funders. Similarly, in the US, more people are questioning the power dynamic that enables wealthy private funders to impose their solutions to social and environmental problems without being required to involve the affected communities. Even the pundit world reveals this critique, with the subtitles of recent books speaking volumes: *The Elite Charade of Changing the World* of Anand Giridharadas' *Winners Take All,* and *Why Philanthropy is Failing Democracy and How It Can Do Better* of Rob Reich's *Just Giving*. Globally, the rise of populism, discontent, and illiberal tendencies have led to accusations that philanthropy is being used as a tool to further a political agenda or consolidate power. Moreover, foundations that engage with socially and politically sensitive issues often find themselves targets of campaigns to delegitimize their work, philanthropic intent and funding sources. In response, dozens of governments around the world have proposed or adopted laws that restrict how non-governmental organizations operate or receive philanthropic funding.

At the center of this debate is the "social compact," an entity's explicit or implicit agreement with society about the value it creates. Social compact encompasses concepts such as accountability, legitimacy, transparency, and public trust. For governments, corporations, nonprofits and philanthropies, the social compact can change as a result of shifting external circumstances, political and economic conditions, or prevailing views on private wealth and public responsibility. A philanthropic organization's social compact can also reflect shifting notions of how it views its role in society, demonstrates value, interacts with stakeholders, and expresses accountability.

Given the increased scrutiny surrounding private philanthropy, the time is ripe to explore the social compact as applied to philanthropic institutions, and how those entities are interpreting shifting social norms and adjusting to new realities.

Source: The Open Mainframe Project

A Rising Tide of Public Scrutiny

The 2018 edition of the annual Edelman Trust Barometer, an annual global trust and credibility survey published by the independent global communications firm, identifies "a new phase in the loss of trust."[2] The report highlights as a particular problem "fake news" and the loss of confidence in sources of information. With rising anti-elitist sentiment, growing discontent with income inequality, and a backlash against the capitalist system as a driver of exclusion and disempowerment, trust in those with power is at a critically low level.

"We are at a moment when trust in mainstream institutions including philanthropy but also business, politics, and media is very low," says Stephan Chambers, Director and Professor in Practice, Marshall Institute for Philanthropy and Social Entrepreneurship at the London School of Economics and Political Science.

Fuel for Critics' Fires

When foundations face failures, critics are often quick to pounce, regardless of successes otherwise demonstrated. An often-cited example of this is the Case Foundation's support for the PlayPumps program, an initiative that was also supported by the World Bank, UNICEF, and the South African government. The PlayPumps plan was to bring clean drinking water to communities throughout Africa using underground water pumps powered by energy generated by children playing on merry-go-rounds.[3] The initiative ultimately failed for a variety of reasons. In many cases, the supply could not meet the demand; not enough "play" occurred to pump water; and broken

equipment was hard to fix. Ultimately, the program was ended and the assets were transferred to Water for People, an international nonprofit working to increase access to safe water and sanitation.[4]

The Case Foundation faced criticism for the program's failure. Much—if not most or all—of the criticism leveled at Case was misplaced, given that the foundation followed sound practice in supporting an organization whose work had been endorsed by experienced funding entities. What such criticism also misses is the role of philanthropy as society's "risk capital." By serving this important function, funders can experiment with innovative new models of social impact and relay valuable lessons learned through successes--and failures--to the rest of the philanthropic sector and to society as a whole. Thus, while some cite the Case Foundation's PlayPumps venture as an example of things going wrong, others stress the value of the foundation's willingness to be open about its failures as it did in a 2012 blog post entitled, "The painful acknowledgement of coming up short."[5]

Other fertile ground for criticism of philanthropy is found when individuals or institutions engage in wrongdoing. The associated negative stories often have a disproportionate effect on the public perception of the philanthropic sector and cause suspicion even where there is no wrongdoing. For example, some believe that donor advised funds (DAFs) and similar vehicles are used primarily as a means of avoiding taxes or pursuing political or business agendas. While this may be true in some cases, it is not true for all. Yet misunderstanding breeds distrust. "So many of these donor directed funds are with big organizations like Fidelity and Vanguard, and no one knows how the money is being spent. The public doesn't understand 'donor advised funds'," says Geri Mannion, Program Director for the US Democracy and Special Opportunities Fund at the Carnegie Corporation of New York. And when surreptitious uses for DAFs are found, the problem for private foundations, she says, is that the public may assume all DAFs are used in the same way. "It's not clear that people know the difference between some of these vehicles that are much more political, and a private foundation," she says. "It would help if these vehicles were more transparent."

"It's not clear that people know the difference between some of these vehicles that are much more political, and a private foundation. It would help if these vehicles were more transparent."

GERI MANNION

Program Director, US Democracy and Special Opportunities Fund
Carnegie Corporation of New York

That formal mechanisms of accountability in the philanthropic sector are limited only adds to the problem. "Foundations are accountable to boards, but those boards aren't accountable to anyone, and there's no requirement for public input," says Kathy Reich, Director of the Building Institutions and Networks (BUILD) initiative at the Ford Foundation. "There's not a lot out there in the very *laissez faire* system in which we all operate."

Wealth Under Scrutiny

The decline of trust in philanthropy is also linked to the growing skepticism about whether current and former businesspeople and the ultra-wealthy should, through their giving, be the ones to prescribe solutions to social problems. The increased concentration of resources at the disposal of wealthy philanthropists invites inevitable comparisons with government, leading to questions of whether unelected individuals should wield such influence over society. "It's something we're noticing," says Chris Oechsli, President and Chief Executive Officer of The Atlantic Philanthropies. "It's rooted in inequality, the role of wealth in society and in making decisions that affect society, and in the allocation of wealth in influencing policy that affects the public—there's a heightened sensitivity and awareness of that."

Perceptions that wealthy philanthropists unduly influence society are not entirely unfounded, argues Melinda Tuan, Managing Director of Fund for Shared Insight, a sponsored project of Rockefeller Philanthropy Advisors that connects foundations, nonprofits, and the communities they serve to help them access and respond to feedback. "Foundations, like other elite institutions, have this ivory tower bubble experience," she says. "We're part of the problem in a way because we're so far away from the people and communities that we ultimately seek to help."

A further paradox is that many foundations work to combat financial inequality or its results, while philanthropy itself is a product of that inequality. Indeed, even the investment choices of endowed foundations often run counter to their own philanthropic initiatives and include investments that further exacerbate that inequality. This can make philanthropic giving feel like the wealthy are merely giving back some of what they have taken from the public.

There are, of course, differences in how his plays out across the globe. For example, in the United Kingdom, awareness of foundations is generally low. "Because of the dearth of foundations in the UK, it's not such a hot topic. There are so few of them and people

don't generally understand what they are," says Philomena Gibbons, Deputy Director, Culture & Society at the Wellcome Trust, which funds research to improve health. "But in [other parts of] Europe, it's higher up the consciousness because there are many more of them, and there is growing concern about the power they can exert as non-democratically elected bodies."

Unlike the US, Europe lacks the abundance of very rich individuals who create foundations. Instead, European philanthropic institutions tend to be municipal estates, family foundations, or foundations established with the assets of banks or multinational corporations.

"That diversity makes it easier to explain that philanthropic institutions are not primarily tax avoidance mechanisms," says Gerry Salole, Chief Executive Officer of the European Foundation Centre. "Each case is different, but in Europe there are more boards that are by their nature built by different political parties, and that represent labor and owners. There is a mix that's built into the governance so the decision-making is among a wider group of people."

Nevertheless, like Gibbons, he sees the mood shifting in Europe, too. "At the moment, there is that in the zeitgeist. What used to be automatically respected in the past is no longer, because foundations are no longer seen as being just 'good'," he says. "Generally we're living in a less trusting environment and people are asking more questions."

"It's rooted in inequality, the role of wealth in society and in making decisions that affect society, and in the allocation of wealth in influencing policy that affects the public—there's a heightened sensitivity and awareness of that."

CHRIS OECHSLI

President and Chief Executive Officer
The Atlantic Philanthropies

More Visible, More Vulnerable

The way foundations operate is also coming under the spotlight. In recent decades, foundations have been under pressure to move from simply writing checks to adopting more strategic approaches to tackle the root causes of problems. The shorthand for this has become "strategic grantmaking."

To the extent it doesn't include perspectives of communities being served, this approach is also now being questioned. Some wealthy former entrepreneurs-turned-philanthropists believe that they can design better, more effective solutions to social problems by applying business strategies to philanthropy. However, such strategies might not be applicable or appropriate in philanthropy, particularly when those developing and applying them have little to no knowledge of communities and their needs.

For Rip Rapson, The Kresge Foundation's President and CEO, such criticism calls for foundations to be more proactive, responsive, and transparent about the way they develop their strategies. "When philanthropy chooses—as it has over the past decade—to more fully embrace the complexity of social change and understand what capacity is needed to change policy or practice, it becomes both more visible and more vulnerable," he says.

This, he says, is something that applies to The Kresge Foundation. "By virtue of being a bit more public about the work we do and how we do it, we get reactions—we get reactions from the press, from grantees, from trustees. So visibility carries with it a certain level of accountability."

What is Philanthropy's Social Compact?

In a world where wealth and philanthropy are coming under more intense scrutiny, foundations need to gain greater clarity about the nature of their social compact. So what exactly is the social compact? For government and business, the answer is relatively simple. Governments are accountable to voters, and businesses are accountable to customers and investors. Both are dependent on the landscape, operating environment and mood of the broader society. However, for philanthropy, the concept of the social compact and what it means for the way a philanthropic institution operates, formulates its strategy, and communicates with the public, is complex and often hard to define.

Broadly speaking, the social compact encompasses a foundation's agreement with key stakeholders about the value it will create in society. It reflects an organization's legitimacy (or license to operate) in the eyes of those stakeholders and the public, as well as how it approaches the transparency and accountability that underpin its legitimacy.

While some foundations have clear boundaries for their social compact, many philanthropic leaders admit that defining accountability and stakeholders is challenging. "It's as broad as all of society and it's as narrow as any one constituency that we identify as an actor and wish to support with finances," says Oechsli.

And contrary to other sectors, the social compact for foundations has few formal accountability mechanisms or requirements. Oechsli sees both advantages and disadvantages in this. "The upside is you can be nimble and innovative and act more quickly," he says. "The downside is that the decision-making is held in the hands of relatively few and the accountability to the public, at least so far, has been limited. I see strength in having a nimble civil society that takes action predicated on giving voice to underrepresented communities. And while I still wrestle with the privilege and limited accountability of this role, that is nevertheless a leadership responsibility of civil society."

Source: Adobe Stock Photo

Defining Accountability

At the most basic level, foundations are accountable to their founders or the legacy of the founders, to regulatory authorities, and to their boards (of directors or trustees). How they prioritize, identify additional targets of accountability, and interpret accountability varies widely across organizations.

For some, primary accountability is to the founder and his or her vision and mission, whether that supports certain causes, particular groups or communities, or a geographic region.

For others, such as a foundation no longer associated with a family, the board can be a powerful target of accountability, something Kathy Reich has experienced during her time at the Ford Foundation. "Ford is an independent foundation," says Reich. "And the board is a self-perpetuating body, representing nonprofits that Ford funds, industry and government, law and medicine. Having a board that is fully independent is in its own way a kind of accountability. I feel accountable to those people and [to the reality] that those people are reflecting the interests of a much broader group." According to Reich, her accountability—and by extension, her organization's accountability—does not end there. "When I think about who I'm accountable to and why I do this work, I think about concentric circles," she says. "I work in a big organization and so I'm accountable to my board and the institution, but I also consider myself accountable to the people whose lives we are trying to help through our grantmaking. So the people I consider myself most accountable to are the people most affected by inequality."

At the UK's Wellcome Trust, primary formal accountability is to the Charity Commission, the foundation's ultimate regulator. Beyond that, Wellcome sees itself as accountable to "society at large," and to those who ultimately benefit from its mission, which makes transparency a key tool in fulfilling that accountability. "It's being open on our website, being clear about our purpose, publishing our success framework, sharing impact case studies, a default to openness, and having this front and center so it's not just a tick-box approach," says Gibbons. Research conducted last year by the Wellcome Trust supports this vision, with findings revealing that transparency was by far seen as the most effective mechanism for building trust.

The way a foundation is established can also shape its approach to accountability. This is the case for The Atlantic Philanthropies, a limited-life foundation that is nearing the final stages of its giving. "It's the end of a stream of funding," says Oechsli. "So the accountability is about doing a good job in a limited life context of leaving a relationship, leaving an activity, leaving a field, and whether we are being responsible to the players in that space in the way we conclude our participation in that space."

An Expanding Set of Stakeholders

As philanthropies become more focused on their accountability and legitimacy, many are expanding the number and types of stakeholders to whom they believe they should answer. "Ten to 15 years ago, philanthropy's main constituents were everyday residents of communities on the ground receiving services," says Rapson. "They still are. But because philanthropy is increasingly embracing other sectors, our notion of constituency has changed. We have to tune into community needs and strengths, first and foremost. But how we approach our work increasingly is shaped by what it will take to work effectively with the public sector, with the private sector, with the faith sector, with the nonprofit sector."

This, of course, expands the concept of foundations' accountability. "Because this work is more cross-sectoral than it used to be and because philanthropy is more willing to take on all that messiness, the accountability of other sectors is bleeding into ours," says Rapson. The definition of stakeholders can also go beyond those to whom the organization is directly accountable. For example, the Wellcome Trust sees itself as being responsible, but not accountable, to the researchers it funds. "The research community are our key stakeholders, but we're not accountable to them," says Gibbons. "They are partners in delivering our mission, but we do not see them as having a specific role in holding us to account."

In some cases, the operating model and source of funds of an institution can shape the way it views accountability or responsibility. At Newman's Own Foundation, an independent private foundation formed in 2005 by actor Paul Newman, financial resources are earned through the sales made by a food company. This means that the foundation's reputation as an effective charitable institution is tied to its reputation and success as a food company, and both entities must earn the trust and respect of the public to succeed.[6]

Accountability can be extended to the general public through the setting of concrete goals. At the Indianapolis-based Lumina Foundation, for example, a conscious decision was made for the institution to be publicly accountable for the single, ambitious goal that drives its work: that 60 percent of working-age Americans should have a college degree, workforce certificate, industry certification, or other high-quality post-secondary credential by 2025.[7]

Some institutions that feel accountable to the general public include regular assessments of their internal operations and external impact. For example, the Robert Wood Johnson Foundation not only conducts regular evaluations of its major national programs publicly on its website, it also developed a biennial scorecard to track the effectiveness of the organization, which it also makes public.[8] Whether it is to demonstrate progress towards meeting programmatic goals or to assess internal effectiveness, such accountability mechanisms confirm the recognition that members of the public are key stakeholders, and keeping them informed is part of fulfilling the social compact.

"Because this work is more cross-sectoral than it used to be and because philanthropy is more willing to take on all that messiness, the accountability of other sectors is bleeding into ours."

RIP RAPSON

President and CEO
The Kresge Foundation

Source: Bikuben Foundation

The Legitimacy Imperative

When it comes to building legitimacy, demonstrating accountability through transparent communications and impact measurement is key. However, foundations can achieve legitimacy in other ways. As a baseline, they must work within the prevailing legal framework, whether local or international. They can demonstrate their value in terms of what they add to society. They can show that their work is rooted in evidence and advice from board members, external experts, and populations served.

Often philanthropies are confronted with a dilemma of whether to engage in public discourse about and with the communities and programs they support. And if they do, how to do so effectively. Some organizations are seeking new ways of enhancing their credibility through new networks, technologies, convenings, advisory groups, and boards.

Increasingly, embracing diversity, equity, and inclusion is seen as critical to fulfilling and building legitimacy and trust, particularly where philanthropic activities most impact marginalized communities. This is prompting a growing number of organizations to become more public in expressing diversity, equity, and inclusion values. What is encompassed in those values varies from region to region and organization to organization, but generally includes race, ethnicity, gender, and belonging to marginalized populations.

As part of their commitment to these values, more and more philanthropic organizations are including representation of the communities they support in decision-making, whether by creating mechanisms for listening to those communities, or through participatory approaches to grantmaking. In Denmark, for example, the Bikuben Foundation, which works to create artistic and economic opportunities for young people, forms partnerships with the government, private players, and other foundations to identify new focus areas or problems to solve.[9] And in the US, The James Irvine Foundation has strategies for listening to views from the community. While not all foundations have integrated participatory approaches into their strategies, decision-making processes, or ways of working, this trend is on the rise.

Source: The James Irvine Foundation

THE JAMES IRVINE FOUNDATION: Listening to Those Being Served

When program officers from The James Irvine Foundation go out to hear about the most pressing concerns for the communities they serve, they do more than listen. They are active participants in the conversation.

Three years ago, the foundation, which supports efforts to empower low-income California workers, started developing a new form of engagement. "We embarked on a listening tour where we went around California to different communities," explains Director of Impact Assessment and Learning Kim Ammann Howard. "We broadened it so it was outside the usual network of people we worked with, and we wanted to do it in a way that was different from a focus group, where everyone is asked the same ten questions."

"We also wanted to make sure we were supporting grantees who wanted to strengthen their practices in listening to the people they serve," says Ammann Howard.

When participants are asked what their hopes and aspirations are, the program officers join in, offering their own personal stories. This, says Ammann Howard, empowers all group members to be more open and to express themselves more freely.

Working with a human-centered design firm, the foundation used tools such as sticky notes, drawing exercises, and videos showing people working but struggling with poverty that could spark reactions from viewers. These triggered participants to express their concerns in new ways, and often to go deeper into the obstacles affecting their lives.

Both the community listening sessions and the Listen4Good initiative in which the foundation participates have helped it gain a deeper understanding of its constituents, whether grantees or communities. Ammann Howard believes that this "has brought the voices and stories of real people into our work in ways that complement what sometimes seemed like abstract numbers and funding strategies."

The focus on listening could even take the foundation into new areas. "We knew there was a housing crisis in California, but hearing from workers struggling with that issue across the state prompted us to explore how we might fill funding gaps," says Ammann Howard. "We're making pilot grants to learn what role we can play."

This approach "has brought the voices and stories of real people into our work in ways that complement what sometimes seems like abstract numbers and funding strategies."

KIM AMMANN HOWARD

Director of Impact Assessment and Learning

Responding to a Changing Mood

Today, philanthropies address their accountability and legitimacy through a range of approaches. At one end of the spectrum are institutions that believe that private foundations are accountable only to their boards and regulatory authorities. They argue that this gives them freedom to fail and enables the kind of risk taking that other organizations cannot afford. At the other end of the spectrum are those promoting direct giving or unconditional cash transfers, and those that enable recipients to make decisions as to how to spend the money. For example, the EDGE Funders Alliance has embraced an alternative funding model that uses participatory grantmaking to shift traditional funding power dynamics, blurring the lines between funders and grantees.[10] In between lie a number of strategies.

Source: Wellcome Trust

WELLCOME TRUST:
Exploring the Landscape of Trust

In 2018, to gain a better understanding of public views on foundations in the UK, the US and Germany, the London-based Wellcome Trust, an independent charitable foundation that supports research to improve health, commissioned a "Good Business" study. The aim was to explore the public's knowledge about foundations, perceptions of foundations' role in society, and public trust in them as institutions.

On the whole, the results were positive. "The headline narrative coming out of the research was that while few people really understand foundations, they grasp the concept once it's explained to them and approve of the concept of them as an independent source of funds and support for good causes," says Philomena Gibbons, Deputy Director, Culture & Society at Wellcome.

The research also indicated that because foundations use their own funds, there is a more relaxed attitude among the public to the decision-making, accountability and, to some extent, levels of influence of these institutions.

However, the results also indicated that foundations have a lot to live up to. "People accept that foundations will be less accountable than other bodies as a quid pro quo for their independence," says Gibbons. "But that goodwill is compromised if foundations engage in what is seen as inappropriate activities for their mission, and if they are not well run or well behaved. They're held to a very high standard and there's a long way to fall."

Wellcome used the insights internally. "It really helped us to frame our thinking, because we had no sense of what people thought about the role of foundations," says Gibbons. As part of this project, Wellcome

conducted internal research and consultations to explore the nature of its social compact. "We concluded that we are accountable to society for delivering our mission while using our independence for public benefit. It was the first time we had worked through that question," explains Gibbons.

As a result, Wellcome is spending the next year implementing a number of accountability measures and has created an accountability statement which outlines two key commitments. First, the foundation will consider in all decisions the interests of society, the benefit of its mission, and how its independence can provide a public good. Second, it will work to be open and honest about its goals and decisions, as well as its successes and failures.

"It's taking society into account, and providing transparency," says Gibbons. "Most important was the role of independence because that was the thing that came through the strongest. Our independence confers advantages that we have an obligation to maximize, so how do we ensure that we are making the most of that independence?"

"...goodwill is compromised if foundations engage in what is seen as inappropriate activities for their mission and if they are not well run or well behaved. They're held to a very high standard and there's a long way to fall."

PHILOMENA GIBBONS

Deputy Director, Culture & Society

Out from the Shadows

A focus on transparency has been gaining momentum in the foundation world. "There was a time when people were comfortable in their anonymity," says European Foundation Centre's Salole. "One of the things I used to hear was: 'It's my money and I'll do what I want with it.' That has changed. Generally, people understand they have to be more transparent and have to show what their public good is."

From building websites to holding town hall meetings and speaking publicly at events, there are a number of channels through which foundations can spread the word about their activities.

And while it is one thing to build a website, the real transparency comes in the quality of the information communicated. Wellcome's website includes annual reports and reviews, as well as information about funding and investment portfolio.

The Kresge Foundation has adopted a comprehensive strategy for providing transparency, harnessing everything from websites, social media, annual reports, and publications, to forums, convenings and broadcasts through a variety of channels. "There's a whole spectrum of communications we're getting more comfortable with," says Rapson. "Not because we need more vehicles to valorize our work, but because how we communicate with multiple audiences requires a far more sophisticated understanding of different platforms and different forms of storytelling."

Self-assessment is an important part of the process. In addition to regularly publishing a Grantee Perception Report run by the Center for Effective Philanthropy, Kresge has introduced spot surveys every four to six months. Staff members also meet weekly to assess the foundation's work against a set of indicators that measure improvement.

To assist with these efforts, the foundation has built up a communications department of 15 people responsible for areas such as social media and the foundation's website.

"Trying to communicate what you work on, why you work on it, and how you work on it is tremendously important," says Rapson. "It helps the people you're trying to support. It helps create a rationale for foundations. And it speaks to the hunger in the community to understand what this source of power is about."

As Kresge and others have discovered, the nature of the social compact can demand a strategic approach to communications. In the case of the Episcopal Health Foundation, for example, robust communications are used to educate parishioners, to stress that the foundation is not meant to replace government services, and to demonstrate the benefits of experimentation and a long-term approach to improving health. As part of this strategy, the foundation includes the director of communications on its leadership team, along with the vice presidents and chief administrative officer.[11]

The Atlantic Philanthropies has undergone an even more significant shift in its approach to transparency and communications. For many years its donor, duty-free magnate Charles F. Feeney, remained anonymous and maintained a low profile, setting up the foundation headquarters in Bermuda with branches around the world. "In the late 1990s, we went public but the culture is still very private, at least about ourselves," says Oechsli.

For The Atlantic Philanthropies, even as the foundation winds down its operations, the journey towards openness continues, he says. "The question has been, what is Atlantic's role in being public and what is our responsibility both to explain what

we're doing and how we're doing it, and to talk about who we are involving in our decision-making."

Oechsli sees transparency as an important part of philanthropy's role in advancing fairness and the principles of a democratic society, something he says "brings with it enormous responsibility to include and support voices that may not otherwise be heard by those in positions of power. It's vital that foundations be transparent about their grantmaking, and their reasoning and aspirations to advance the public good."

However, absolute transparency can also have unintended negative consequences. In February 2019, philanthropy associations Donors and Foundations Networks in Europe (DAFNE) and the European Foundation Centre pushed back against a recently proposed Dutch act under which civil society organizations would be required to publish on their websites the amount of donations exceeding €15,000, as well as the name and residence of the donor. The organizations argued that, among other things, the law would jeopardize the status of the Netherlands as a philanthropy-friendly country and would have a significant chilling effect on philanthropy in Europe.[12] Those engaged in politically sensitive issue areas and restricted environments have also stressed that unchecked transparency can jeopardize not only their work but also the lives of their partners and grantees on the ground.

Despite these specific concerns, most argue that transparency in general is a critical part of a foundation's license to operate. "I feel it should be a cost of doing business and of benefiting from the enormous tax advantages that foundations receive," says the Ford Foundation's Reich. "Foundations should be transparent about who they are funding, should have websites and other communications vehicles that describe their work, and mechanisms through which members of the public who have questions can get in touch."

"One of the things I used to hear was: 'It's my money and I'll do what I want with it.' That has changed. Generally, people understand they have to be more transparent and have to show what their public good is."

GERRY SALOLE

Chief Executive Officer
European Foundation Centre

More Inclusive Decisions

The way decisions are made is also part of the social compact for foundations, with approaches ranging widely across a spectrum. Many foundations are increasing their engagement with stakeholders and communities served on how funds are spent or programs designed. This practice of participatory grantmaking is partly a response to the pushback against what is seen is the powerful influence of private philanthropy. It is also driven by a desire to leverage the views and experience of a wide range of stakeholders to increase the impact and effectiveness of philanthropic dollars, recognizing that such bottom-up approaches can yield better knowledge, relationships, and decision-making.

Listening to Communities

When it comes to including communities in decision-making, there are many approaches. At one end of the spectrum are foundations that decide what they want to fund then judge proposals based on dictated criteria. Toward the other end are participatory approaches that can range from including non-grantmakers alongside donors in funding decisions, to grantmaking strategies developed by groups that do not include donors. One such model, according to the European Foundation Centre's Salole, is exemplified by Belgium's King Baudouin Foundation, a constituency-building institution that brings in ordinary citizens to make decisions on grantmaking.

Kresge's Rapson sees a number of benefits to a more consultative method of designing and developing initiatives. "Often philanthropy not only superimposes its ideas but also assumes that local communities have the tools, resources, and capabilities to execute properly, which may not be the case," he says. He sees greater benefit in a more participatory approach since communities themselves are in the best position to know what they need, in what forms, in what doses, and in what sequence. "It helps mitigate the notion that philanthropy is becoming prescriptive—that it knows better," he says.

Foundations sometimes find that asking communities more questions can lead to surprising answers that change the trajectory of an initiative. Oechsli cites on this point the work of The Atlantic Philanthropies on health in Vietnam. The foundation convened the deans of all of Vietnam's schools of public health and asked them to identify the major health problem the country was experiencing. "Surprisingly it was injury due to traffic accidents," he explains. "That informed a whole injury prevention initiative and strategies for working with government on safety policies, education and awareness, and the production of helmets that were appropriate for tropical environments."

Source: The Case Foundation

GRANTMAKING WITH THE CROWD: Using Technology as a Tool

For foundations that want to take a more open approach to their grantmaking decisions, technology is proving a powerful tool. The Case Foundation was harnessing technology in this way as early as 2007. Case's America's Giving Challenge, launched that year, used social media to award US$750,000 in charitable grants.[13] By leveraging the growing influence and popularity of online tools and networks, the initiative was able to reach and engage a great number of individual donors, civic activists, advocates and allies.[14]

In another technology-enabled initiative, Greater Twin Cities United Way (GTCUW) and the Minneapolis office of Boston Consulting Group (BCG) came together in 2018 to launch the Community Impact Accelerator. After a lengthy selection process, this funding competition culminated in a final event in the US Bank Stadium, home of the Minnesota Vikings, where an app-based voting system was used to choose which of the three finalist nonprofits should receive funding and consulting support.[15]

A third example is the MacArthur Foundation. In selecting the grantee for its 100&Change initiative, a $100 million grant designed to support a single proposal that promises measurable progress in solving a critical problem, the MacArthur Foundation used a selection process specifically designed to be fair, open, and transparent. The foundation brings in evaluation panels made up of external judges and provides the semi-finalists with technical assistance from an expert team. From this group, a smaller number of finalists is determined, with MacArthur's board of directors selecting the final award recipient.[16]

Source: Fund for Shared Insight

Insights from Those Being Served

In recent years, foundations have become more interested in incorporating the ideas and perspectives of the individuals and communities affected by their programs. Foundations are realizing that listening to communities and creating robust feedback loops can make it easier to identify needs, increase the effectiveness of their programs, and enhance trust and credibility.

This kind of feedback is something Fund for Shared Insight is working to promote. Its Listen4Good initiative (also used by The James Irvine Foundation) engages funders and nonprofits around a feedback tool adapted from the Net Promoter System. This is a rigorous and systematic way of creating high-quality feedback loops in order to collect input from the people and communities served.

"We've embraced this idea about foundations being more open specifically in the relationship with nonprofits and the people and the communities they seek to help," says the Fund for Shared Insight's Melinda Tuan.

Of course, these new approaches come with risks. For example, the representation on the board of individuals from the communities served can be viewed as symbolic and unrepresentative. Beneficiary or consultative panels can lead to circularity with people becoming self-serving.

Some foundations are working to address these risks by finding ways to ensure that the participation of the populations supported in their work is not tokenistic, but genuine. One way of doing this is to evaluate the inclusion process itself. For example, in 2013, the Knight Foundation evaluated initiatives such as inviting people to submit ideas for making their communities more vibrant or for enhancing the arts. It found that this approach enabled the foundation to engage "unusual suspects," bringing new ideas that led to an improvement in its grantmaking.[17]

As they work to be more responsive to those being served, the language that philanthropies use is starting to change. Rather than referring to recipients of funds as "beneficiaries," which suggests a transactional relationship and a lack of agency, terms such as "stakeholder," "partner," "co-creator," "communities served," and even "client" or "customer" are entering the philanthropic lexicon.

Hearing from Grantees

To ensure that feedback loops contribute to more effective grantmaking, foundations are also taking steps to listen to and find out more about their grantees. And the results can be enlightening, revealing the true needs of organizations.

The Wallace Foundation, which seeks to expand learning and enrichment for disadvantaged children and the vitality of the arts for everyone, exercises a highly collaborative approach with grantees through what it calls a "co-creation" lens. This allows the foundation and grantees to partner in gathering information necessary to understand needs, and in deploying resources to address those needs. And when assessing the success of a grant, the foundation factors grantees' measures into the evaluation.[18]

Some foundations are making efforts to learn more about their grantees in order to improve their strategies and programs. For example, it was not until the Ford Foundation commissioned independent research into its grantmaking practices that it discovered that more than half of its grantees experienced frequent or chronic budget deficits, 40 percent had fewer than three months of reserves in the bank (many had none), and many lacked critical capabilities such as talent management, fundraising, and program evaluation.[19]

Learning from these insights, Ford launched its BUILD initiative to promote the strength and effectiveness of key grantees implementing the foundation's strategy to reduce inequality. "At Ford, we're very serious about trying to listen more, about trying to partner more efficiently and authentically with our grantees, about being more flexible and long-term with our support so that we are directing and

controlling less about the work that they do and how it happens," says Reich.

She argues that an important part of this is to include nonprofits on boards. "People at foundations often ask themselves whether they should have nonprofit representatives on their board, and my reaction to that is that I'm stunned that they don't," she says.

Reich hopes that the approach taken through the BUILD initiative will be spread more widely, both in the Ford Foundation and elsewhere. "It represents 40 percent of the foundation's grantmaking over a five-year period," she says. "That's a tremendous start but ultimately where I'd like to see this go is that it becomes the default by which we make grants."

Listen4Good is also helping foundations and grantees work together differently. For example, Plough Foundation visited the Memphis Child Advocacy Center, which had applied for a grant to upgrade its security system. Instead of asking only about the nonprofit's programmatic outcomes, Plough suggested the organization conduct informal surveys before and after the security upgrades, to inform plans for changes and assess their impact. The responses revealed a need to shore up measures such as better exterior lighting, and revealed that many staff members were not fully aware of the center's existing security procedures and policies.[20]

The Plough Foundation's experience demonstrates that in addition to helping fulfill an institution's social compact, this kind of inclusive approach also helps foundations make a bigger impact and build the capacity of the nonprofits they support more effectively.

This is the kind of outcome Tuan hopes can be replicated across the Listen4Good initiative. "Our goal is that funders and nonprofits will be learning and listening together, and changing their practices based on what they've heard," she says.

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MELINDA TUAN

Managing Director
Fund for Shared Insight

Source: The Atlantic Philanthropies

THE ATLANTIC PHILANTHROPIES: Stakeholder Engagement

When it comes to supporting the needs of disadvantaged children, intervening early prevents larger problems down the line, when services are more costly and the chance of success is lower. This is the belief that underpinned The Atlantic Philanthropies' Children and Youth program.

As part of this, Atlantic sought to help end unfair and excessively punitive discipline policies that disproportionately target students of color. Often meted out for minor misbehaviors, these harsh school policies and practices had led to an alarming rate of suspensions, expulsions, and school-based arrests, which increased the risk of kids dropping out and ending up in prison.

Atlantic invested $47 million to support reform efforts across the US to help keep vulnerable children in school, and on track to graduation and college.[21]

To find out how change could be brought about, the foundation engaged and convened people working in different areas of childhood education, child discipline, and school policies. These ranged from funders to school superintendents, teachers, universities, and government agencies. It used external researchers to collect evidence of the impact of zero-tolerance strategies.

The broad-ranging inputs from these stakeholders and other communities informed the way Atlantic's grantees worked to change

The broad-ranging inputs from these stakeholders and other communities informed the way Atlantic's grantees worked to change school discipline policies and pedagogy...

school discipline policies and pedagogy, and to foster the development of teacher training and discrimination awareness initiatives.

While Atlantic retained its power to make the big funding decisions, the school discipline reform efforts demonstrated that foundations can successfully engage their stakeholders in shaping strategies and interventions.

"We're across the spectrum," says Oechsli. "We're on the unilateral end of making the choices. But at the other end of the spectrum, we're conveying groups and players in different areas and taking their advice on how to proceed."

What Next?

While the recent attacks on philanthropy by Anand Giridharadas and Rob Reich might seem to call for a public reaction from the sector, this has yet to materialize. "It's much too early to see any kind of coordinated or indicative response to the critique since the critique is now only emerging," says Chambers.

There is certainly room for more debate in the media and public arenas about the concerns surrounding "big philanthropy." In this emerging discourse, foundations are not alone, with the actions of governments, corporations, celebrities and other wealthy individuals often also subjected to criticism. In today's world, to be an institution with influence means meeting expectations of accountability, legitimacy, and transparency that come from a growing cohort of stakeholders. And these demands are only set to intensify.

Foundations can, and should, be a part of this debate. In joining the discourse more fully, they could make the case for the important work they do in combating poverty and inequality, or in contributing to the health and wellbeing of the planet and its people. Adjusting the social compact to meet new realities is now in part a function of risk management for philanthropies. As the initiatives of the institutions highlighted demonstrate, preventing or fending off criticism need not be the sole driving force behind this adjustment to create new forms of transparency, collaboration and public engagement. An increasingly open, inclusive approach to philanthropic activities can allow institutions to learn lessons from peers, benefit from the insights of stakeholders, and incorporate the views of the communities served in their programs and decisions, thereby reducing the potential for criticism born from a lack of inclusion or transparency. This will have the added benefit of harnessing new insights that will enhance the effectiveness and impact of their work, and ultimately lead to a better use of society's precious philanthropic dollars for the greater public good.

Best Practices for Foundations Responding to a Changing Social Compact

Rockefeller Philanthropy Advisors research has revealed several practices and approaches that may be helpful for philanthropies seeking to review their social compact.

Align

Strive for internal clarity and a common understanding of the social compact, including the role in society, targets of accountability, sources and arbiters of legitimacy, and the public good the foundation serves.

Communicate

Develop a robust external communications strategy to relay to the public what the foundation does, why it does it, who is engaged in decision-making, and how they are engaged. This can include demonstrating successes, sharing lessons gleaned from failures, grantmaking transparency, peer learning and community outreach across a spectrum of platforms.

Listen

Build genuine feedback loops that enable input, participation and representation of communities served in decision-making, and support a consultative method of program design. Listening to communities makes it easier to identify needs, increase the effectiveness of programs, and enhance trust.

Demonstrate

Demonstrate how feedback loops and consultative engagement have helped to enhance and fine-tune the foundation's focus areas, initiatives, grantmaking and strategies to show a genuine commitment to and positive effect of these approaches.

Research

Conduct regular landscape research to measure the temperature and public attitude toward the foundation's work and philanthropy generally, in order to adjust strategies and act based on evidence.

Reflect and Assess

Assess internal operations and external work regularly against a set of indicators that measure effectiveness, impact or progress. It is important to openly share and discuss the results internally among staff and externally with grantees, partners and other stakeholders to devise effective next steps.

Broaden Representation

Broaden board representation, as well as that of stakeholders who provide inputs into program strategy and design, in order to reflect interests and viewpoints of different sectors, including private, public, nonprofit, grantees, and issues area experts.

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