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## Reflections and Commentary on a Theory of Philanthropy

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## Reflections and Commentary on a Theory of Philanthropy

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# Reflections and Commentary on a Theory of Philanthropy

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This special section of *The Foundation Review* includes four articles about theory of philanthropy, an approach for identifying and articulating a comprehensive and integrated synthesis of how and why a foundation operates as it does. The opening article explains what a theory of philanthropy is, how it contrasts with theory of change, and how it is more than – but incorporates – a foundation’s philosophy and strategy. Next come two case studies, on the Palix Foundation and the Blandin Foundation, that illustrate both different theories of philanthropy and different processes for developing a theory of philanthropy.

The conclusion to this special section presents reflections and commentary about the idea, application, and utility of a theory of philanthropy. First is a reflection about being involved in the theory-of-philanthropy process from Michelle Gagnon, president of the Palix Foundation. (Reflections from the Blandin Foundation appear within its case study article.) The authors of the overview article that opened this section then offer some reflections on their experiences – and ongoing learning – with many foundations doing theory-of-philanthropy work. Finally, there are three commentaries from experienced and knowledgeable observers of the philanthropic world, both from within foundations and from the outside working in consultation with foundations. The independent commentators were asked to offer thoughts and reactions after reading the explanation of theory of philanthropy and the two case examples.

## Reflection on Developing a Theory of Philanthropy

*Michelle Gagnon, Ph.D., Palix Foundation*

Developing a theory of philanthropy for the Palix Foundation was a highly strategic and important learning process. It was an opportunity to delve into better articulating and understanding what we aim to achieve and the evolution of our strategy over time, with a particular focus on how we go about doing our work. While the foundation’s operations and investment strategy had been set up to support its ultimate aim to improve health and wellness outcomes for all children and families through the Alberta Family Wellness Initiative (AFWI), engaging in the process to develop a theory of philanthropy made the way we’ve been going about this more understandable, explicit, easier to communicate, and potentially, replicable.

This is an important learning outcome both for those of us who work at the foundation and for the hundreds, if not thousands, of stakeholders collaborating with us to achieve impact through the AFWI. Explicit knowledge gained through the theory-of-philanthropy exercise is a significant value-add to our work, but we did not know this until we engaged in this process of discovery. What did we learn along the way?

- *Think about timing.* We decided to engage in the theory-of-philanthropy process while the interim developmental evaluation of the AFWI, conducted at its five-year mark, was underway. This turned out to be a highly effective way to integrate and analyze the learnings from

the evaluation into the theory-of-philanthropy process (and vice versa), thereby enriching the depth, relevance, and outcomes of each exercise.

- *Invest in the best expertise.* We engaged world-class experts (i.e., the authors of this paper) to design and carry out the theory-of-philanthropy process in collaboration with the foundation team and several dozen external stakeholders. The theory-of-philanthropy consultants, two of whom were highly familiar with and engaged in the foundation's work prior to the theory-of-philanthropy process, were also advisors on the developmental evaluation process. Their deep familiarity with the organization and expertise in innovation, evaluation, and strategy made a significant difference to the quality of both the theory-of-philanthropy process and the framework that resulted from it. Their familiarity with the AFWI and strong relationships with the foundation's patron and staff also enhanced the efficiency and timeliness of the process.
- *Communicate learnings to strengthen and build relationships.* Together, the developmental evaluation and theory of philanthropy formed a powerful package of insights into the foundation's theory of change and theory of philanthropy to share and learn from with staff, board members, advisors, partners, and many others. The theory-of-philanthropy framework has proven to be a highly effective way to build understanding with potential partners and collaborators about the role the foundation plays in the philanthropic process. It makes explicit how we go about making a contribution as knowledge entrepreneurs, catalytic conveners, and partners with the community and public systems.
- *Integrate theory-of-philanthropy findings into strategy and planning.* The findings and framework ultimately enhance an understanding of our role and contribution as a foundation so we can continue to be as strategic as possible with our time, resources, and expertise. The beauty of a well-articulated theory of philanthropy is that it is not simply a theoretical exercise. Its practical contributions to philanthropic strategy are real

*The beauty of a well-articulated theory of philanthropy is that it is not simply a theoretical exercise. Its practical contributions to philanthropic strategy are real and pragmatic, ranging from planning truly catalytic events to developing employees and consultants to become experts in facilitating the creation of knowledge entrepreneurs.*

and pragmatic, ranging from planning truly catalytic events to developing employees and consultants to become experts in facilitating the creation of knowledge entrepreneurs. Moreover, now that the Alberta Family Wellness Initiatives' theory of philanthropy is explicit, others can more readily duplicate it in their own contexts and settings – a fractal pattern with a cumulative positive impact on children and families over time; in other words, exactly what the AFWI is aiming to achieve.

#### **Reflective Practice: Our Experience Working With Theory of Philanthropy**

*Nathaniel Foote, J.D., M.B.A., TruePoint; Michael Quinn Patton, Ph.D., Utilization-Focused Evaluation; and James Radner, M.Phil., University of Toronto*

Our overview and introductory article on theory of philanthropy, followed by the two case studies, constitute a learning package. We are not just reporting on what we did as independent consultants working with foundations, as if we had it all figured out in advance and simply implemented a consultation plan. We are, together, reporting on something we co-created and what we've learned in our co-evolution. This has been an engaging,

*Thus, a theory-of-philanthropy process must be adapted to the situation of any given foundation. It is an inquiry framework, not an off-the-shelf recipe or step-by-step manual. What we've learned is that theory-of-philanthropy work is both inductive – understanding what has been built and learned, and the impacts of historical patterns and decisions – and deductive – applying mission and values along with on-the-ground circumstances and alignment insights to inform key decisions, and that developing a theory of philanthropy takes a meaningful investment of time and effort.*

emergent, adaptive, and deeply reflective process. What appears here is the result of lengthy discussions with each other and with the respective foundations' leadership and staff.

The idea of formulating a theory of philanthropy originated as a cousin of the theory-of-change methodology that had deeply permeated philanthropic consciousness since the original articulation by Carol Weiss. But we found foundations struggling with the notion of being grounded in a theory of change for reasons we've explained in

the overview article. We saw a need for a broader framing, which led to theory of philanthropy.

The emergence of the concept of theory of philanthropy, as distinct from theory of change, closely parallels the emergence of "corporate-level strategy" in the 1980s and 1990s, as distinct from the concept of "business-unit strategy," which had been developing over the prior 20 years.<sup>1</sup> In each case there is a need for an overarching frame for explaining how the entity makes choices about its portfolio and the nature of its value added, reflecting its heritage and unique configuration of resources and capabilities, and aligning those choices with the entity's organizing and operating approach, culture, and governance model.

Just as corporate-strategy concepts have translated into very significant, practical implications for businesses, so, in our view, will the theory-of-philanthropy approach for foundations. The idea emerged from and aims to illuminate and enhance practice. That has been the test we've applied from the beginning. How that plays out over the longer term remains to be seen. What we have reported here is progress along the way. We're sharing what we've learned so far.

The Blandin Foundations' theory-of-philanthropy process helped senior staff and board members "make the invisible visible" while drawing on a set of internally developed, explicit framing elements, such as the Mountain of Accountability and the foundation's strategic framework, as well as other historically important documents. Blandin's final theory-of-philanthropy statement focused on 10 overarching themes and yielded 10 areas for potentially improved alignment and performance.

The Palix Foundation began with much less explicit framing material. Its strategies had evolved dynamically, with the recently completed developmental evaluation serving as a written touchstone and starting point. But its theory-of-philanthropy process, like Blandin's, had the flavor of bringing to light what was there, but hidden. Palix settled

<sup>1</sup> Goold, M., Campbell, A., & Alexander, M. (1994). *Corporate-level strategy: Creating value in the multibusiness company*. Hoboken, NJ: Wiley.

on a synthesis including three major thematic aspects of the foundation's role and guidance for moving into a new strategic era. (See the Blandin and Palix case studies in this issue of *The Foundation Review*.)

Thus, a theory-of-philanthropy process must be adapted to the situation of any given foundation. It is an inquiry framework, not an off-the-shelf recipe or step-by-step manual. Both foundations are poised to use what they've learned to inform future work. How that unfolds will be the focus of ongoing evaluation. We hope to return with them to this journal to update the uses and results of their theory-of-philanthropy work.

What we've learned is that theory-of-philanthropy work is both inductive – understanding what has been built and learned, and the impacts of historical patterns and decisions – and deductive – applying mission and values along with on-the-ground circumstances and alignment insights to inform key decisions, and that developing a theory of philanthropy takes a meaningful investment of time and effort. Our role as consultants, like the role of the theory-of-philanthropy tool and inquiry process itself, is to help make the implicit explicit, bring out distinctive elements via a comparative lens (experience with other foundations and organizations), and provide frameworks, including graphics, that support the ongoing thought process of the central actors.

In this closing reflective-practice commentary, we want to share some of what we've learned about engaging in and facilitating a theory-of-philanthropy process, not just with Blandin and Palix, but with other foundations as well.

### Tips for Developing a Theory of Philanthropy

1. *Capture the history and dynamic story.* A theory of philanthropy is not static. Understanding how and why things have changed over time is part of the value of a theory of philanthropy. This increases the value of the result for orientation of new board members and staff, as well as communication to grantees and others about the foundation's changing role. One foundation staff member turned up a treasure trove of early documents from the days when the foundation had begun operations. No one had looked at those documents in years.
2. *Look for what distinguishes the foundation, makes it unique, and elaborates its niche.* In deciding how much detail to include and where to deepen the inquiry, it's valuable to ask: "What makes us who we are? What is our particular niche? What makes us distinct? Unique?" There's also a more general point here – that comparison with other foundations, element by element, can help us understand ourselves. One senior staff member commented, "Are we risk takers? Well, let's assess our appetite for risk in comparison with our peers. This isn't a competitive thing; rather, it's a tool to help us see ourselves (and others) better."
3. *Use the Theory of Philanthropy Inquiry Tool as a guide.* The tool [see appendix of the overview article <http://scholarworks.gvsu.edu/tfr/vol7/iss4/4>] is not rigid and standardized. It is meant to be suggestive and evocative. Not every element is relevant to every foundation. That said, before ignoring or skipping an element, think about what it might yield. One foundation team was about to skip "approach to scaling" because its board had decided that scaling was not a priority. But the board's discussion about scaling turned out to be revealing and important, including some history about a time when scaling had been a priority. The shift in priorities turned out to be a crucial revision of the foundation's theory of philanthropy.
4. *The initial responses in the inquiry should be organizationally and behaviorally descriptive.* The first task is to describe actual practice. A foundation team one of us worked with initially described its relationships with grantees as "close," but as team members looked in detail at actual practice, they found they were too busy with administrative tasks to actually have much "close" interaction. At another founda-

*We want to express our deep appreciation to those with whom we've worked at the Blandin and Palix foundations. They joined us in this uncertain journey because they were committed to reflective practice, honest inquiry, evaluative thinking, and the relentless pursuit of any avenues available to enhance effectiveness.*

tion, staff asserted that they were risk-takers: turned out that examples of actually taking risks were hard to find.

5. *Collect and cross-reference supporting documentation.* A theory-of-philanthropy exercise is an opportunity to pull together various memos, policies, and documents that have been created over time and examine their current relevance, use, and alignment. Staff who have undertaken this process report that one of its greatest values is revisiting important documentation and updating policies and procedures. One foundation had three different statements of values that had never been synthesized.
6. *Triangulate sources.* Members of a leadership team will often differ on the details of particular elements. Those disagreements are data. Checking with other sources (retired or departed staff), examining relevant documents (board minutes, staff memos), and going through old files keeps the process evidence-based rather than just opinion-based.

In one case, we reviewed the chief executive officer and board chair opening statements in 10 years of annual reports. We found that the presentation and discussion of the foundation's mission had changed substantially in those reports, without any official board action having been taken.

7. *Test out articulating the opposite.* To avoid motherhood-and-apple-pie statements that don't say much ("We are a learning organization"), ask: "What does it look like to not be a learning organization?" In one case, distinguishing the two revealed that the foundation was actually closer to the "not" end of the continuum.
8. *Don't wordsmith entries into the elements; that comes in the synthesis.* The theory-of-philanthropy tool is an inquiry guide and data-organizing framework. Initial entries are not meant to become a public document. The entries in the tool will be used to do the critical synthetic work leading to enhanced alignment and a summary statement that succinctly, accurately, and powerfully communicates the foundation's theory of philanthropy. As noted earlier, Blandin reviewed and reflected on all the elements in the tool (<http://scholarworks.gvsu.edu/tfr/vol7/iss4/4>), but its final theory-of-philanthropy statement focused on 10 overarching themes; Palix settled on a synthesis including three major thematic aspects of the foundation's role.
9. *Expect ebb and flow of enthusiasm, but see the process through to the end.* Taking a comprehensive approach to theory of philanthropy takes time and persistence. Other important foundation work proceeds apace. Crises may arise. Unexpected demands and opportunities surface. This can lead to ebb and flow of engagement. That makes it all the more important for senior leadership to stay the course and keep the process moving forward.
10. *Include a plan for implementation, follow-up, and evaluation of the theory of philanthropy to learn how it informs the foundation's future work.* Ar-

articulating a theory of philanthropy is an important step, but, as always, the proof is in the results. The ultimate test of the proposition that "nothing is a practical as a good theory" is how the theory ultimately informs and enhances practice.

### Final Reflections

We want to express our deep appreciation to those with whom we've worked at the Blandin and Palix foundations. They joined us in this uncertain journey because they were committed to reflective practice, honest inquiry, evaluative thinking, and the relentless pursuit of any avenues available to enhance effectiveness. We feel privileged to have been their fellow travelers, co-creators, and learning partners.

### Independent Commentary No. 1 on Theory of Philanthropy

*Patricia Patrizi, M.A., Patrizi Associates*

The theory-of-philanthropy framework presented in this issue provides a much needed articulation of core organizational attributes – functions, processes, and ways of working – that should ultimately shape a foundation's decisions about what it can do well and where and how it can be effective in reaching its goals. These attributes – things like how money is allocated within a foundation, how well a board understands the role that the foundation has assumed and the costs associated with executing that role, what it would take to work in real time instead of usual "foundation time," how "partnering" should alter the distribution of authority among partners, the competencies required to work effectively toward its designated goals – all affect whether a foundation can actually succeed at what it aspires to do.

While foundations have paid much attention to "strategy," particularly in its formulation, virtually no attention has been paid to the question of whether foundations can deliver on their strategic intentions. Foundations are notoriously oblivious to how their organizational attributes affect their capacities to reach their goals of "being innovative" or "working close to communities" or "being able to act quickly, flexibly," or being "adaptive to

complexity." While these words appear frequently in strategy statements, whether or not the organizational functions of a foundation (e.g., legal, administrative, oversight) can deliver the speed, money, and agreements to allow these behaviors to flourish is another question, and one that usually goes unanswered.

These are not trivial factors in the equation of foundation effectiveness, and they also loom large in how a foundation is viewed by those who observe its work closely – namely, the grantee community, other foundations, and those in the fields and communities whom they hope to engage or influence.

It strikes me, in many ways, that a theory of philanthropy is importantly akin to Peter Drucker's Theory of the Business. Drucker understood that companies regularly faced decisions about "what to do." In his seminal 1994 article,<sup>2</sup> he points to recognizable corporate crises where "the right things are being done – fruitlessly" based on outmoded, poorly understood, or bad assumptions that do not "fit reality" within the company or their operating environments:

These are the assumptions that shape any organization's behavior, dictate its decisions about what to do and what not to do, and define what the organization considers meaningful results. These assumptions are about markets. They are about identifying customers and competitors, their values and behavior. They are about technology and its dynamics, about a company's strengths and weaknesses (para. 3).

Drucker specifies four attributes needed for a valid theory of the business:

- The assumptions about environment, mission, and core competencies must fit reality" (para. 29).
- "The assumptions in all three areas have to fit one another" (para. 30).

<sup>2</sup> Drucker, P. F. (1994, September-October). The theory of the business. *Harvard Business Review*. Available online at <https://hbr.org/1994/09/the-theory-of-the-business>



*More often than not, foundations have bits and pieces of a theory of philanthropy and those bits and pieces often lack coherence, are poorly understood, or can outright work against each other.*

- “The theory of the business must be known and understood throughout the organization” (para. 31).
- “The theory of the business has to be tested constantly” (para. 32).

More often than not, foundations have bits and pieces of a theory of philanthropy and those bits and pieces often lack coherence, are poorly understood, or can outright work against each other. I have heard foundation leaders speak eloquently about their missions and their mission-based principles of equity and transparency, only to construct operating principles that directly undermine their mission by encouraging secrecy and obfuscation: no information on where and how strategy or guidelines emerge, no way for grant-seekers to come in “over the transom.”

Also, what might be in favor at a foundation at one point in time may change radically and without notice as a foundation moves on to other interests. In these settings, being a program officer can be a bewildering experience as staff attempt to read the tea leaves about whether a direction spoken about four months ago is still in good currency. It is hardly questionable, then, that staff may be unwilling to “put themselves out there” by communicating clearly, for fear of being on a limb that is about to fall.

Outside of the walls of the foundation this kind of behavior has its costs, as it is often seen as confused, or crazy, or Machiavellian. Grantees will

certainly still apply for resources, but as foundations increasingly face the need to raise resources to accomplish their goals, they also need to be able to communicate trustworthiness in consistent and coherent ways to the numerous critical partners – other funders, governments, nonprofits – they will need if they are to succeed.

This is where a theory of philanthropy could come into play. It would be silly to assume that this confusing behavior is a deliberate ploy. Rather, it results from the lack of an organizing framework that highlights these sorts of organizational discontinuities. It also emanates from a lack of managerial experience and maturity that instills discipline in how a foundation considers what it can do well, whether what it does well aligns with its aspirations, and whether its leaders can make the organizational changes that can actually deliver on their ambitions. A theory of philanthropy may be such a framework as it urges foundations to take account of their whole organization and how it interacts with the world.

What would a theory of philanthropy do?

- It would highlight the major inconsistencies between what a foundation hopes to achieve and how it currently functions. This would allow leadership to assess whether the foundation has the skill and processes to work successfully toward its aims. It would raise questions such as: What new skills do we need? How fast or slow are we in our transactions, and does this fit with our aims? Do our decision-making processes facilitate or hamper our work? What is our point of view on risk, and does it fit with our goals? What do we communicate, with whom, and does it fit?
- It would facilitate the kind of disciplined thinking that can lead to better alignment among the parts of foundation: What will it take internally to get resources out in the manner and time needed? What kind of approvals are needed, and from whom? Where can a foundation import more flexibility and alignment with legal and financial constraints? How do we align our monitoring style with the risk levels we want to assume?

- It would promote more coherence between the foundation and its relationship with the outside world: How do we back up the roles we have assumed, or back off from roles that we cannot assume? How do we adjust our reality to our learning? Are we learning what we need to be a leader, a negotiator, an honest broker? Do these roles advance progress?

A framework is sorely needed that enables foundations to embrace the kind of discipline that Jim Collins wrote about so eloquently in *Good to Great*<sup>3</sup> – one that will pressure test whether a foundation is well-enough organized (coherent, aligned, communicative, effective) and sufficiently knowledgeable, capable, patient, and risk tolerant to take on the tasks associated with their often ambitious goals – and, perhaps even more importantly, to signal where foundations can productively focus their efforts toward improvement. A theory of philanthropy may be just what is needed.

### Independent Commentary No. 2 on Theory of Philanthropy

*John Bare, Ph.D., Arthur M. Blank Family Foundation*

*Editor's note: John Bare places the challenge of articulating a theory of philanthropy for a particular foundation within the larger context of a theory of philanthropy for society more generally. His commentary concludes with a "unifying theory of philanthropy" for society.*

Chasing a theory of philanthropy is like considering a theory of ice cream.

It's everywhere. No two concoctions are alike, but they all use the same labels. Some of it is very good. Not much of it is truly awful. All of which argues against wasting time in pursuit of a theory. Just enjoy what you can get your hands on, and move on.

This approach in self-indulgence leads not to a unifying theory, but to a collection of operating theories. Or, more fairly, a kind of taxonomy or

*In his Laws About Giving to Poor People, Maimonides parses eight levels of giving. This seems to inch us toward a theory of philanthropy, until we confront the underlying notion about "giving to poor people." This condition would disqualify as philanthropy gifts that enlarge Harvard's \$43 billion.*

ganized by branches on a decision tree. The operating theories cascade down from a set of how-to questions that may be interesting to the five-dozen executives sipping booze in the hotel lobby of the annual Council of Foundations meeting. But they are hardly compelling questions for society: Are charity and philanthropy the same thing? Are acts of kindness, where no cash changes hands, also acts of philanthropy? If the donor receives something in exchange for the gift, including status in the community or a tax advantage, is the act philanthropic at all? In his *Laws About Giving to Poor People*, Maimonides parses eight levels of giving. This seems to inch us toward a theory of philanthropy, until we confront the underlying notion about "giving to poor people." This condition would disqualify as philanthropy gifts that enlarge Harvard's \$43 billion.

U.S. philanthropy is governed by the Internal Revenue Service, an outfit not built on philanthropic theory. There are, again, operational and mechanical reasonings that allow the whole system to work. Under certain conditions wealth can be sequestered, more or less tax-free, in permanent endowments. In some cases, the IRS requires 5 percent of a philanthropy's assets to be distrib-

<sup>3</sup> Collins, J. (2001). *Good to great: Why some companies make the leap ... and others don't*. New York: HarperBusiness.

*If this is the beginning of a theory of philanthropy driven by the shared value created by the voluntary association between rich and poor, de Tocqueville provides a counter-factual with his denunciation of government-run charity.*

uted every year (which requires further rulings on which expenses qualify as part of the 5 percent and which do not). In other cases, as with a university endowment, no distribution is required. Ever. Which argues more for a theory of wealth aggregation than a theory of philanthropy.

Still, plenty of giving occurs outside of endowments. Individuals and chief financial officers pull cash from any and all kinds of accounts, including basic checking, and give the money to organizations that have won special designations from the IRS. Groups receive this designation based on their governance structure and their own declaration of a commitment to producing public benefits rather than private gain. Giving to these select organizations allows the donor to receive a tax break, just as it generally allows foundations with endowments to satisfy the 5 percent payout requirement. There is some theory in this IRS distinction: that the tax advantage acts as a magnet and pulls more donations to preapproved organizations. In no case is there any IRS requirement that any kind of philanthropy be directed to poor people. Martin Luther King, Jr.'s Poor People's Campaign is no more real to the practice of private philanthropy than the Brown Mountain Lights are to Appalachian geology.

A different and more nagging question is whether publicly administered programs to help the poor, such as the Earned Income Tax Credit and the Supplemental Nutrition Assistance Program, are

in fact manifestations of public philanthropy. If so, do these enhance or diminish private philanthropy?

In his *Memoir on Pauperism*, de Tocqueville describes the virtuous effects of private giving:

Individual alms-giving established valuable ties between the rich and the poor. The deed itself involves the giver in the fate of the one whose poverty he has undertaken to alleviate. The latter, supported by aid which he had no right to demand and which he may have had no hope of getting, feels inspired by gratitude. A moral tie is established between those two classes whose interests and passions so often conspire to separate them from each other, and although divided by circumstance they are willingly reconciled.<sup>4</sup>

If this is the beginning of a theory of philanthropy driven by the shared value created by the voluntary association between rich and poor, de Tocqueville provides a counter-factual with his denunciation of government-run charity. What he calls "legal charity" formalizes the transfer of resources from rich to poor. But in doing so, it erodes the "morality" that he called out as the essential ingredient of private philanthropy. Codifying alms-giving into a public welfare system, he believed, would lead to catastrophic class warfare.

Now we've got a question that is of interest beyond the Council of Foundations lobby bar: How to avoid class warfare? Setting aside for now the all-too-real possibility that U.S. philanthropy is mostly a guild of tax specialists who require continuing education more than a grand bargain, it's worth taking another crack at a unifying theory. We will attempt to induce the theory by articulating the assumptions that must be true for philanthropy to occur. These include:

- Laws that promote and protect ownership of private property. If we are in a commune where what's yours is mine and what's mine is yours, well, we have obviated the need for philanthropy.

<sup>4</sup> de Tocqueville, A. *Memoir on Pauperism* (S. Drescher, Trans.), 1997, p. 31. London: Civitas.

- A culture that values individual style and personality, not authoritarian rule. This means donor intent trumps dictatorships.
- Decentralized decision-making. So there is no need to get approval from a Philanthropy Czar.
- Laws and customs that promote and protect private associations. So no person or group can interpose itself between myself and an organization to which I want to give.
- Inequality. What de Tocqueville called “inequality of conditions” is a necessity for philanthropy. This could translate into inequality in wealth, education, access to technology, and so on.

If we begin to reverse-engineer a theory of philanthropy from these conditions, on the horizon we see an enduring paradox of civil society: that our capacity to use private philanthropy to improve conditions in society is, in the end, dependent on those very conditions that perpetuate need among a class of people. Rotated into view, this suggests a palliative theory of philanthropy – that it can never address the underlying cause of inequality because doing so would require, among other things, surrendering the instruments of wealth generation that sustain both the inequality and the philanthropic balm.

Philanthropy is not given to self-immolation. So we are left to manage, not solve, the paradox. In fact, the beauty of a paradox is that it invites us to sidestep entirely the question of solutions. Instead, what we must consider is whether the current system of private philanthropy, as much as it feels like a tautology, is the best of the available alternatives.

Collectivists would say no, not even close. I imagine those who have chosen the life of the monastery, the abbey, or the Shaker village would nurture members of their communities through different practices. De Tocqueville would say it is the best, that the theory of private alms-giving rests on the “moral tie” created when donor and recipient find the precious intersection of their interests.

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*So here we are. From the dwindling options, I offer up this unifying theory of philanthropy: the Theory of the Moral Tie. With it, we honor the aspiration for self-governance and unlock incentives for innovation, while also opening opportunities for the kind of interclass reciprocity that is required of any social contract.*

My sense is that utopian dreams don't end well. We love the Shaker furniture but don't flock to live in a village that requires such discipline and austerity. We like modernity. Moreover, for progressives who champion the science of evolution, it creates a sticky spot for them to swallow the survival-of-the-fittest reality and at the same time believe that disparities are not part of natural law.

So here we are. From the dwindling options, I offer up this unifying theory of philanthropy: the Theory of the Moral Tie. With it, we honor the aspiration for self-governance and unlock incentives for innovation, while also opening opportunities for the kind of interclass reciprocity that is required of any social contract. Private alms-giving is our last best chance to create any kind of moral tie between rich and poor, to involve those with great wealth in the fate of the least among us. Without it, we are “two rival nations.”

### **Independent Commentary No. 3 on Theory of Philanthropy**

*Kay Sherwood, M.A., Independent Consultant*

A theory of philanthropy is a useful tool in the complicated world where decisions need to be

*Observers – and evaluators – of philanthropy can see different theories underlying different grantmaking programs, both across philanthropies and within a single philanthropic organization. It's helpful to have the language and logic to examine the frequent question about philanthropy: What were they thinking?*

made not just about what evidence and best-practice information is available to guide philanthropic investments, but what values, assets, and strategic thinking a particular philanthropic institution can bring to problems or fields of endeavor. Sure, theories of change are needed for the intellectual rigor of testing whether what is known applies to current problems. But in the confines of philanthropy, theories of change are relevant to grants and grantees and not necessarily to the decisions that philanthropic executives need to make about how to deploy all the resources available to a grantmaking institution, especially when the additional dimensions of time and unpredictability are considered.

Imagine a large international philanthropy with several established programs that address social justice, social services, human rights, and social development. The record of research and evaluation offers guidance about interventions that can be successful in some contexts, but not so much in unpredictable and unstable conditions in the developing world or in societies in conflict. How do the decision makers for this philanthropic institution weigh their options and, especially, how do they think about what their institution brings to these situations as potential investments?

A theory-of-philanthropy framework for such considerations can help. The philanthropic institution's trustees and executives can ask themselves what, beyond financial resources, they can bring to these particular challenges. Possibilities include reputation, connections to significant individuals and institutions, willingness to make long-term commitments, a vision of the change that can happen, an openness to others' visions of change, and a tolerance for risk. Willingness to support experimentation can be another element of a theory of philanthropy to guide a global philanthropic institution that has big ambitions, big challenges, and little forerunner successes to heed in difficult conditions. An added advantage of looking at experimentation and risk through the lens of a theory of philanthropy is that implications emerge for staffing; organizational structure; relations among trustees, executives, and program staff; and an organizational culture that fits issues of authority, accountability, and locus of decision-making to the objectives of experimentation.

The article in this special section by Patton, Foote, and Radner provides structure for thinking about the range of possibilities for deploying the resources of philanthropy, as well as examples that illustrate why philanthropists should reflect on their own implicit or explicit theories about making a difference. Observers – and evaluators – of philanthropy can see different theories underlying different grantmaking programs, both across philanthropies and within a single philanthropic organization. It's helpful to have the language and logic to examine the frequent question about philanthropy: What were they thinking?

#### **Independent Commentary No. 4**

*Teresa Behrens, Ph.D., The Foundation Review*

As Michael Quinn Patton notes, a common theory of (strategic) philanthropy is that funders can research an issue and identify the right levers for change. In other words, the theory of philanthropy is that the funder can develop a theory of change, then deploy foundation resources accordingly.

The theory of change is a belief (more or less fact-based) about how change can occur in a given

geographical or issue area. For example, a theory of change might be that broad-scale change occurs very incrementally, through success in small pilot projects that can be orchestrated by foundation staff and community leaders. A different theory of change might posit that all lasting change arises from the grassroots, so the foundation should fund community organizing.

Which is right? Well, they might both be right – either at the same time or in different contexts. In my experience, one thing that creates havoc both internally and externally is when there are competing theories of change within a foundation. There may be a split between board and staff in a private foundation, among family members in a family foundation, or between senior management and program officers in any type of foundation. What too often results is a set of unworkable compromises that result in mismatches among how different functions interact with each other and with grantees. An RFP might require the proposer to describe how “the voice of the community” will be incorporated in the work, while an external evaluator comes in later and tries to identify the early wins that can be replicated. While these don’t have to be contradictory (early wins can be wins in getting community voice heard), they also are not inherently aligned.

Developing a coherent theory of philanthropy that can inform and be informed by the theory of change requires strong leadership and a willingness to manage conflict. It requires that donors and board members, who may come from very different life circumstances than the intended beneficiaries, acknowledge, for example, that how people survive and thrive in underresourced communities is not an area in which they are experts, no matter how successful they have been in other aspects of their lives. Eliminating malaria by providing mosquito nets to impoverished families sounds like a great idea, until you find that hungry people are creative about meeting their needs and malaria nets make terrific fishing nets. A theory of philanthropy that includes a commitment to human-centered design and rapid prototyping might have caught this earlier. One that appears

to be based on analysis of public health data obviously didn’t.

For private and family foundations, donor intent is almost always expressed around an issue they care about, rather than a theory about how funds should be used to influence the issue. “Improve the lives of children and their families,” for example, doesn’t get you to a theory of philanthropy or a theory of change. “Radically change public education to improve student learning” could lead to charter schools, teacher training, new curriculum development, community organizing, or developing new instructional technologies, depending on your theory of change.

Can a theory of philanthropy help to reconcile competing theories of change and align other foundation functions? I give this a resounding maybe, to borrow a conceit from Michael Quinn Patton, mostly because getting to a theory of philanthropy may prove elusive. It requires strong leadership, a willingness to do the hard work of alignment, and having the right people on the bus. However, the two case studies in this section offer examples of how progress can indeed be made. The benefits to grantees and other partners of having a well-realized theory of philanthropy would be enormous. And, like all theory, a foundation’s theory of philanthropy should be tested and revised as needed.