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# Tactics in Philanthropy: The Case of the Moving Spotlight

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*Keywords:* Tactical philanthropy, grantmaking style, foundation evaluation

## Key Points

- In recent years, strategy has been a much-discussed topic in philanthropy, while tactics have received little attention.
- The experience of the MacArthur Foundation's environmental program and its Moving Spotlight approach provide examples of the importance of tactical decisions.
- Tactical decisions such as the timing of grants, foundation staffing levels, and the timing of evaluations all contribute to grantees' ability to achieve outcomes.
- Structure and flexibility can be complementary approaches to grantmaking if the tactics are well thought out.

Strategy has become a buzzword in the large and growing literature that offers advice to philanthropists and managers of private foundations. Despite the variety of voices, the message is uniform: To be effective, philanthropy must become strategic. Implicit in this advice is the contention that private foundations in general have not been particularly effective because they have not been sufficiently strategic. This position presents significant problems because, at a minimum, the meaning of strategy is poorly articulated<sup>1</sup> and alleged donor failures are almost never described in any detail.

<sup>1</sup> See Proscio, T. (2000). *In other words: A plea for plain speaking by foundations*, pp. 19-21, (New York: Edna McConnell Clark Foundation), for an pointed but amusing critique of the overuse and misuse of the word. Every advocate of "strategic philanthropy" should read it.

An old concept in warfare and international politics, the notion of strategy has been adopted (and adapted) by management professors for use in their classes, books, and consulting trade. In the process they have reduced the clarity of the word. Applications of the term more recently to philanthropy have muddied its meaning even further.

In military and diplomatic parlance, a key distinction exists between strategy and tactics, and that distinction contributes to the definition of both terms. The difference between them is not obscure, but it has become vague or even immaterial in much of the current literature about private giving. The tactical aspects of philanthropy rarely receive serious attention, and the distinction has largely been lost in the vigorous, but sometimes misconceived, discussion in books, articles, and blogs about what philanthropy needs.<sup>2</sup> This pattern of thought seems to imply that strategy describes everything a foundation must do to improve its performance or that the tactical elements of philanthropy are so obvious to all that they raise no substantial questions.

A traditional definition of these concepts is that strategy consists of one's goals and that tactics are about methods or techniques for achieving those goals. In other words, strategy is substantive and

<sup>2</sup> For example, in Frumkin, P. (2006). *The essence of strategic giving* (Chicago: University of Chicago), a thoughtful examination of challenges in philanthropy, the author advocates order and discipline but treats several tactical dimensions as basic elements of "strategic giving" (pp. 61-68, 77-103). Paul Brest, in "A Decade of Outcome-Oriented Philanthropy," *Stanford Social Innovation Review* (Spring 2012), further demonstrates the ambiguity of the concept.

tactics are procedural.<sup>3</sup> From that position, it follows that both strategy and tactics must be closely considered to achieve major philanthropic objectives. A substantial imbalance in thinking about both of these basic dimensions can result in lower returns on donors' investments. The purpose of this article is to suggest ways of diminishing that risk in the management of private foundations through a closer examination of the range of options in grantmaking tactics.

In philanthropy, tactics are about choices of style and method in making grants or loans. They are not about a donor's objectives – which do need to be sharply defined to avoid scattering scarce resources. Assuming that any such objectives are inherently strategic, however, weakens the case for “strategic philanthropy.” How do we recognize genuinely strategic strategies? Clear strategy is truly essential, and being truly strategic requires more careful thought (and information) than merely announcing one's goals. An objective standard for being strategic in private philanthropy is needed, but identifying appropriate elements for such a standard is a topic for a separate analysis.

A pervasive problem with claims that foundations have failed to be sufficiently strategic is that many of these critics call for rigorous data-driven choices and evidence-based evaluation of grantees, while they rarely apply such tests to the design or coherence of donors' programs. Such analyses present little specific evidence to support assertions about the present or past shortcomings of private philanthropy or the need for new modes of operation. Claims about the broad inadequacy of foundations in general are simply posited and seldom questioned. Where are the data supporting this view of American philanthropic history and the closely related advice widely offered to donors?<sup>4</sup>

<sup>3</sup> Although these terms can be subdivided, the fundamental distinction remains significant. See the introductory article in Kennedy, P. (Ed.), (1991). *Grand strategy in war and peace*, pp. 1-7. New Haven, CT: Yale University Press.

<sup>4</sup> Susan Berresford, former president of the Ford Foundation, explored such questions in “What's the Problem With Strategic Philanthropy?” in the *Chronicle of Philanthropy* (October 2010), p. 33.

More attention to the history of private foundation actions could add useful perspective to current discussions about philanthropic effectiveness. Matching the global influence exercised over many years by the Rockefeller Foundation, for example, would be difficult. The steep increase in the number of American foundations and their financial resources during the last 25 or 30 years neither diminishes the results of earlier philanthropic efforts nor justifies claims that we live in a new “golden age” of philanthropy. Unfortunately, more is not necessarily better.

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At the very least, some balance is needed in the consideration of foundation effectiveness and the role of strategy (however the term is defined) in achieving significant results. Because tactical choices are widely overlooked, taken for granted, or conflated with strategy, increased analysis of tactical options – and of history – would be useful additions to the discourse about designing and managing grantmaking programs and elevating the influence of private philanthropic actions.<sup>5</sup>

<sup>5</sup> Stannard-Stockton (2007) separates tactics from strategy, but focuses on varied legal instruments rather than on methods for making grants.

To illustrate the large role that tactics can have in a foundation's work, the specific experience of the MacArthur Foundation's environment program, which the author directed for its first 15 years, might provide some relevant examples. The following report describes the somewhat unusual tactical approaches taken by that program, but it is not meant to offer a model that other foundations should adopt. Its point is that the range of available tactics is broader than is commonly recognized in the design of foundation programs, and its aim is to encourage more tactical experimentation.

*The most unusual choice was presenting grant recommendations to the foundation's board of directors in integrated portfolios for each of the program's geographic focal areas and thematic categories simultaneously and almost entirely at recurring three-year intervals. We called this tactical pattern "the Moving Spotlight."*

#### **Background: Strategic Choices Set the Stage**

Beginning in 1986, the MacArthur environment program explored both strategic and tactical options for its grantmaking and adopted some unconventional practices. Probably the most unusual choice was presenting grant recommendations to the foundation's board of directors in integrated portfolios for each of the program's geographic focal areas and thematic categories simultaneously and almost entirely at recurring three-year intervals. We called this tactical pattern "the Moving Spotlight."

The program's geographic targets were the biodiversity hotspots, first described by the British ecologist Norman Myers (1988). Myers' analysis gave MacArthur an objective, data-driven way to focus its program rather than relying on the unexplained preferences of board or staff members, which often shape foundation strategies. The hotspots were relevant as a way of organizing a global nature conservation program because more than 50 percent of known terrestrial species of plants and animals occur in those areas that cover less than two percent of the Earth's land surface. They were further defined by estimates of endemism and degree of threat or destruction – all coarse but quantifiable and open criteria. Concentrated locations and countability made species diversity an explainable choice. Those tight foci allowed us to function globally in a plausible way with a small staff and a relatively small budget (never more than \$20 million per year).

Taking other strategic decisions, we concentrated even more narrowly on the tropical hotspots, situated in low-income regions that possessed little local conservation capacity, and omitting those in temperate and Mediterranean zones, located mostly in more affluent countries. In other words, we chose our geographic targets through the application of objective and relevant screens, which we could, and did, explain publicly.

Later, we expanded our strategic focal points to include the most species-diverse marine areas, mostly in the southwestern Pacific. With a category of thematic grants, the program also attempted to advance environmental law, conservation science, training for natural resource managers, and sustainable economic development but only as actions in those fields affected the sharply defined regions in which we worked.

This report aims to describe both our use of the "spotlight" approach in those contexts and the strong connections between the strategic choices and tactical methods employed in the concrete case of the MacArthur program. They shaped each other. Tactics are mundane considerations compared to grand strategy, and process concerns are often viewed as the preoccupations of overly

bureaucratic organizations, but they are inherently consequential for private foundations in pursuing their goals.

Each of the following sections explores an apparently routine aspect of administrative processes common to nearly all private foundation programs. All of them can be managed in a variety of ways – more ways than are routinely considered. Deciding how much staff is required to carry out a grantmaking program properly, for example, is rarely discussed by observers of private foundation practice. Neither that decision nor the timing for awarding grants commands much thought by those observers, but they can be significant design elements, as shown by the MacArthur program's experience.

### Staffing and Timing: How Do Bureaucratic Size and Rhythm Affect Results?

We adopted the "spotlight" pattern largely so we could operate globally with a very small staff (three program officers, each responsible for a continental region), thereby minimizing administrative costs and maximizing the funds available for awarding grants. Starting in Latin America, we expanded into nine geographic target zones, three per continent in three-year cycles, giving each program officer the task of preparing one set of grants per year in one region, presented for board approval all at the same time.

That steady rhythm put a visible emphasis (or spotlight) on our development of custom-tailored strategies for each hotspot. These diverse plans were expressed through portfolios of grants meant to produce converging and mutually reinforcing effects. Seeking synergy among grantees is not a rare practice, but awarding all grants for a major category simultaneously for three-year periods was (and still is) eccentric. While following this pattern, we could also describe the options we had decided not to pursue – and why – rather than just listing our preferences and calling them strategies.

As a result of this process, program officers could plan their investigations of regional conditions and applicants' capabilities around the dates,

published far in advance, when they would make their single annual presentations to the Foundation's board. These presentations provided the reasoning (or theories of change) for proposed clusters of actions, information about individual grantees, and how their effects were expected to converge. This process took seriously the concept of portfolio effects in grantmaking.

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By considering staff recommendations in these clusters, the board of directors and the Foundation's managers could more easily see, question, and understand what the program staff sought to accomplish in each portfolio. We also were able to explain our actions to grant seekers working in our target regions, displaying our consistency and reducing their need to guess about the Foundation's intentions. That scrutiny pressed our program officers to produce relatively well-defined and justified plans for each hotspot at three-year intervals as we applied our common procedural approach to deeply varied situations in many tropical countries. In other words, our

TABLE 1 The Moving Spotlight

Year	AFRICA	ASIA-PACIFIC	LATIN AMERICA-CARIBBEAN
2001	Lower Guinean Forest	Melanesia	Insular Caribbean
2002	Madagascar	Indo-Burma	Southern Andes
2003	Albertine Rift	Sundaland	Northern Andes
2004	Lower Guinean Forest	Melanesia	Insular Caribbean
2005	Madagascar	Indo-Burma	Southern Andes
2006	Albertine Rift	Sundaland	Northern Andes

tactical process, used in every place, influenced our substantive strategies, which were unique in each place. (Table 1 illustrates how the Moving Spotlight moved, as projected in 2000.)

While keeping the program staff small was initially motivated by the desire to minimize administrative costs, maintaining a lean staff, based entirely in Chicago, also offered the advantage that we were less able to concern ourselves with the detailed management of the work supported by our grants. A large staff with a substantial number of industrial country experts can (and inevitably does) intrude on the conduct of grant-supported work. They inexorably provide detailed guidance, require extensive reporting, and reduce the time grantees have for implementing their programs. Such supervision can constrain grantees' creativity, limit their resilience when conditions change, and reduce their prospects for long-term success.<sup>6</sup> In that way, too many foundations and major donors work against their own goals.

One of the great advantages possessed by private foundations is that they need not burden themselves or their clients with the ponderous bureaucratic procedures required by most government agencies. For that reason, it is particularly ironic when some (mostly larger) foundations adopt procedures and operating styles similar to those commonly employed by public sector donors. Private foundations are uniquely positioned to

take calculated risks while seeking influence that exceeds their financial capacity. That universal condition makes highly risk-averse behavior by any foundation, at the very least, unfortunate.

Operating with a small staff also necessarily reduced the number of grants we could sensibly award and limited our use of small, highly specific, and labor-intensive actions. This condition reflects the very low correlation that exists between the size of foundation grants and the amount of staff time required to process them diligently. Small grants, carefully awarded, often take as much staff time as substantially larger grants. In many cases small grants are useful, but the cost implications of using them extensively (a tactical choice) are inescapable. They can also lead to scattering one's resources, a pervasive risk and common shortcoming in private philanthropy.

Because of the power dynamic between donors and grantees, the detailed oversight possible for a large staff frequently reduces the usefulness of grants intended to strengthen recipient institutions. As we learned from experience, even gentle suggestions from program officers are routinely seized upon by grant seekers whether they are good ideas or not. Believing the inevitable flattery that comes with their jobs is a pleasant but genuine mental health hazard for foundation staff members – with fairly frequent negative effects (Menninger, 1981).

Because the Moving Spotlight relied on clusters of explicitly interdependent grants rather than more conventional lists of probably meritorious projects that might (or might not) be strongly related to

<sup>6</sup> Andrew Natsios, a former Administrator of the US Agency for International Development, describes at length the negative effects of "Obsessive Measurement Disorder" in *The Clash of the Counter-bureaucracy and Development* (Center for Global Development, 2010).

each other, we believed that it increased our prospects of achieving meaningful (i.e., long-term) influence. We told ourselves that the collective effect of these clusters *should* be more substantial and durable than separate actions awarded serially. Assessing the validity of such an assumption, however, is best done by others – and seeking such judgments was an integral part of our standard tactical practice.

### Monitoring and Evaluation: Does Nothing Happen Unless It's Measured?

Portfolios of grants, presented as tightly woven packages, also served to strengthen the systematic evaluation of the program's work. Because of this method of grantmaking, our evaluation process could consider the effects of entire clusters in addition to assessing the results of individual awards. The metaphor we used was that our grants should form tapestries of action rather than loose strands of yarn. The question was whether our weaving produced coherent and relevant patterns or results.

Within the three-year recurring cycles, evaluation could be conducted on a routine basis, becoming prospective as well as retrospective. To start, considering varied proposals in defined areas at the same time allows direct comparisons among them – a logical advantage not available when grants are awarded in the standard manner, serially and at random intervals. This is an extremely simple point that is not widely recognized in the processes used by foundations with professional staffing.

Program officers and our grants administrator reviewed grantees' annual reports and reported major developments at routine meetings of the program team. Our receipt of annual reports triggered the release of annual payments as scheduled, unless a major problem arose. Intervention by foundation staff while a grant was active, however, was rare. We tried to monitor grant-supported actions without presuming to direct them.

The distinction between conscientious monitoring and attempting to manage grantees is fundamental, but is sometimes missed by foundation

officials. Consistent monitoring is an essential element of ongoing evaluation, but it becomes difficult to evaluate grantees' performance objectively when they are being managed in some detail by donor-agency staff. Maintaining an appropriate distance from grantees enhances meaningful evaluation and allows more staff learning from their grantmaking experience. Because MacArthur had chosen ambitious objectives, we did not view small scale or short-term measurements (or "metrics") as sources of relevant learning from our work.

*A central element of this process was asking for evaluations of our staff's portfolio designs as well as reports on the performance of our grantees, thereby gauging our contributions as well as theirs. We asked: Did the effects of our grants cohere or converge in ways that we anticipated? Did we adequately understand the concrete circumstances of our grantees in quite varied regions?*

When the end of the standard three-year time spans of our portfolios approached, the foundation's evaluation director hired two external consultants (normally one American with relevant expertise and one practitioner from the region in question) to meet independently with grantees, examine emerging results, and compare them with the original theories of change presented by program staff when the grants were awarded. Their reports were given to the board of directors, often in person, and their comments directly influenced staff plans for subsequent clusters of grants.

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*Transparency and discipline can simplify proposal review processes, constrain administrative expenses, build trusting relationships, improve staff knowledge, and reduce the sense that dealing with a private foundation is like buying lottery tickets.*

### Transparency and Efficiency: Reducing Costs by Opening the Windows

The Moving Spotlight also contributed to the program's efficiency by reducing the number of proposals that received close attention from our staff. By announcing the sequence of regions where we would make grants each year and closing dates for submitting proposals in them, we regulated the volume and structured the flow of incoming requests. We hoped that doing so elevated the quality of our discussions with grant seekers (our customers).

Because the movements of the "spotlight" were steady and predictable, those customers could plan ahead on presenting requests at appropriate

times. Similarly, our relatively crisp, published guidelines helped them to avoid wasting their time with proposals that didn't come close to fitting our program or its timing. By requesting simple, two-page letters of inquiry as the first step for each applicant, we could assess their potential fit and respond quickly, inviting full proposals from a fairly small number of them and explaining to the others why we chose not to pursue their requests.

This procedure was designed to manage the flow of proposals without denying ourselves useful information. Managing that flow is entirely necessary, but we concluded that reading only proposals invited by our staff (a very common foundation practice) was seriously unwise – we could too easily miss valuable possibilities. Our goal was to process fully only about two proposals for every grant awarded, thus minimizing the transactions costs to grant seekers of dealing with us. That ratio made our small staff adequate to doing a thorough job of reviewing proposals that appeared to be promising, devising integrated portfolios of new grants, and monitoring actions supported by existing grants in their regions.

We published newsletters after each meeting of the MacArthur board, describing the clusters of grants awarded to inform grant seekers about the foundation's thinking as well as announcing its actions. In these newsletters, we tried to explain the reasons for our new grants, more than simply listing them and their purposes. Publishing the reasoning behind our choices was also intended to express respect for all our customers and to demonstrate how we adhered to our own guidelines, attempting to treat applicants fairly and consistently, seeking to work with them as trusted partners. Transparency and discipline can simplify proposal review processes, constrain administrative expenses, build trusting relationships, improve staff knowledge, and reduce the sense that dealing with a private foundation is like buying lottery tickets.

### Collective Learning Portfolios: Who Does the Learning?

The program also organized meetings of all grantees and other relevant informants in each area

shortly before the end of the three-year cycles to discuss grant-supported work and evolving regional situations in natural resources management. These events were designed to stimulate participants' learning from one another, give us feedback on our existing grants, and help us in designing subsequent clusters of actions. We conducted them in the regions under review, with travel costs paid by the Foundation.

Grantees in developing countries rarely have useful opportunities for interaction, particularly when the problems they deal with are not constrained by political frontiers, as is often the case. Ecosystems, rather than states, were our foci, and we wanted to build relevant networks among actors in the field.<sup>7</sup> These events were equally useful for reviewing our clusters of thematic grants in the emergent fields of environmental law, sustainable forestry, and locally managed fisheries. They were generally successful in building personal connections among frontline actors, improving staff understanding of changing conditions on the ground, deepening our knowledge of grantees' local reputations, and shaping our subsequent decisions about new and renewal grants.

We assumed that the foundation would maintain its effort in each region or theme for at least three three-year cycles. In this way, we tried to be a reliable source of funding rather than an unpredictable donor. At the same time, in response to grantees' performance, changing regional circumstances, and what we learned in these meetings, we routinely adjusted the mix of our grants in each hotspot. Doing so only at three-year intervals (rather than attempting to adjust continuously) allowed us to focus on significant changes that might not be understood as well at shorter intervals, and it led us to be deliberate and explicit about such shifts.

<sup>7</sup> The largely automatic use of political maps as the organizing structure of most international donor programs is a major strategic error when dealing with natural phenomena (like ecosystems) or with the many cultural patterns that do not conform to state boundaries that were imposed by European powers without regard to significant local circumstances. Sub-Saharan Africa and the Middle East are prime examples, but the problem of treating states as if they were somehow natural entities is widespread.

That habit, in turn, made it easy for us to explain such actions to the foundation's public. We described this practice as being similar to stop-action photography, which improves the viewer's perception of change as the camera's shutter captures movement over time by opening and closing intermittently. The implicit contrast in this metaphor with the blurry pictures that result from time exposures was deliberate, and we worked to share what we learned this way with actors in each region or thematic category.

We aimed to conduct more thorough evaluations about conditions in each region or theme at nine-year intervals to decide whether to continue or shift our focus. The foundation made several

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widely announced changes in the definition of its geographic targets, based on our experience, new data, and advice from panels of experts. Decisions to terminate or alter the program's focal areas (strategic choices) included exit plans (a tactical choice) that allowed us to withdraw in a transparent and tapered fashion. In these ways, we tried to advance collective learning and minimize potential damage to organizations that we had supported when we geared up in new areas.

### **Payment Schedules: Eccentricity With a Purpose**

Another unusual practice was our consistent use of fixed, front-loaded, and declining payment

schedules, unrelated to the timing of expected expenditures by grantees. This meant that we paid most grantees a larger amount in the first year of a normal three-year award than they were likely to spend that year. Then our schedules provided two smaller step-down payments in years two and three. For example, a grant for \$600,000 might be paid out in annual installments of \$250,000, \$200,000, and \$150,000.

The intent of that eccentric practice was to avoid overly refined and inflexible budgets and to underscore the need for grantees to seek other donors to make their programs sustainable. It created recurring benefits in budgeting and cash flow management for grantees and for the Foundation. Recipients of these grants knew when they would receive our payments, and they did not have to wait for reimbursement after spending other scarce funds. This tactical policy made the Foundation's budgeting easier because we avoided the uncertain timing of payout amounts and preserved our budget flexibility in future years.

Grantees were neither held to spending grant funds on fixed schedules nor required to return funds not spent at the end of the formal term of their grants. They were also allowed to keep any interest they might earn on payments made before they spent our grant funds. We did not want tight budgeting to limit grantees' responses to unexpected events (which alone are inevitable), and we wanted to escape any implication that our grants were like commercial purchase orders.

The program also awarded grants with round number totals (such as \$750,000 over three years) in contrast to the conventional practice of granting precise amounts and time frames (such as \$746,212 over 19 months), which suggest that the cost and timing of influential actions can be projected to the last penny or scheduled to occur at predetermined moments. These practices reflected our confidence in our grantees' judgment about when they could most usefully spend grant funds and our appreciation of the uncertainties of nonprofit management and of money's fungibility.

In many cases, we renewed grants that seemed to work well for additional three-year periods, but

the declining payout schedules in each three-year cycle reduced the damage that could result when we decided not to include particular grantees in subsequent portfolios. Sudden changes in soft-money revenue present a perennial problem for nonprofit organizations, and the loss of overhead revenue when a major grant ends can be disruptive to an exaggerated degree. Our tactical approach was an attempt to limit that unintended effect, which is simply intrinsic to the project mode of grantmaking. Repeated flat annual payments, in particular, can create the expectation of continued support – until the donor decides to drop out. Too many nonprofit grantees have relied on recurring one-year grants from long-term supporters, only to be injured, sometimes badly, when the apparently faithful source of revenue evaporates.

The reasoning behind our unconventional payment schedules was that the long-term operation of any substantial effort is bound to require multiple donors, and we believed that aiming for the long term is necessary for achieving major philanthropic goals. Private foundations are able, if they wish, to make more stable commitments than most government agencies, which can shift suddenly because of elections, political instability, or the whims of authoritarian rulers. Yet solitary long-term support of a grantee can lead to a form of ownership, as if the donor were an operating foundation, making objective evaluation difficult. If we alone could understand the value of a particular program after a reasonable demonstration period, a plausible assessment might be that our initial judgment had been defective.

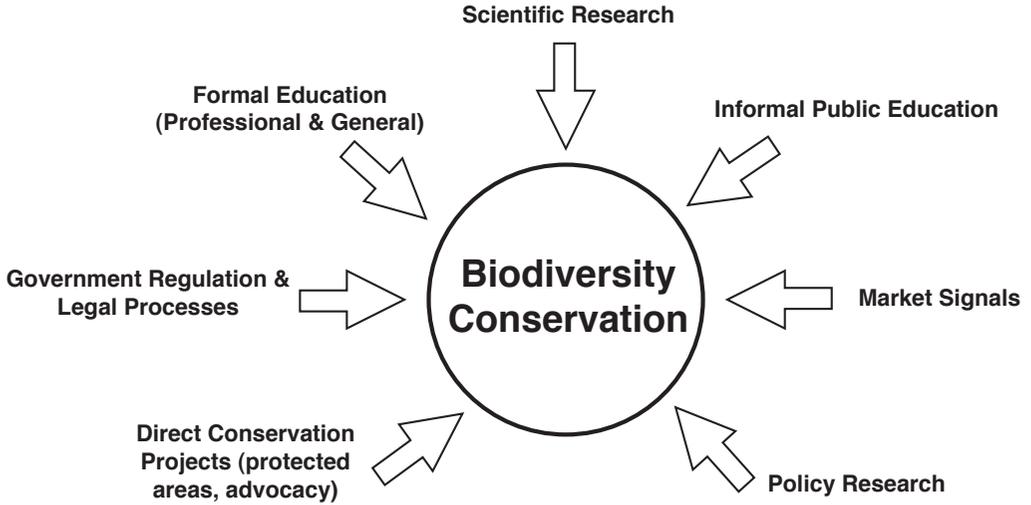
### **Assembling Diverse Portfolios: Seeking Leverage With Unlikely Bedfellows**

The Moving Spotlight procedure incorporated the understanding that attempting to advance large-scale social change of any kind is an extraordinarily challenging task and that such objectives call for complex, flexible, and custom-tailored responses. We sought diverse and unconventional combinations of grantees and actions in constructing the Foundation's responses. (See Figure 1.) This approach also expressed our tactical commitment to enveloping our targets from varied angles rather than using frontal attacks along a

FIGURE 1 Diversity of actions and actors can enhance results.

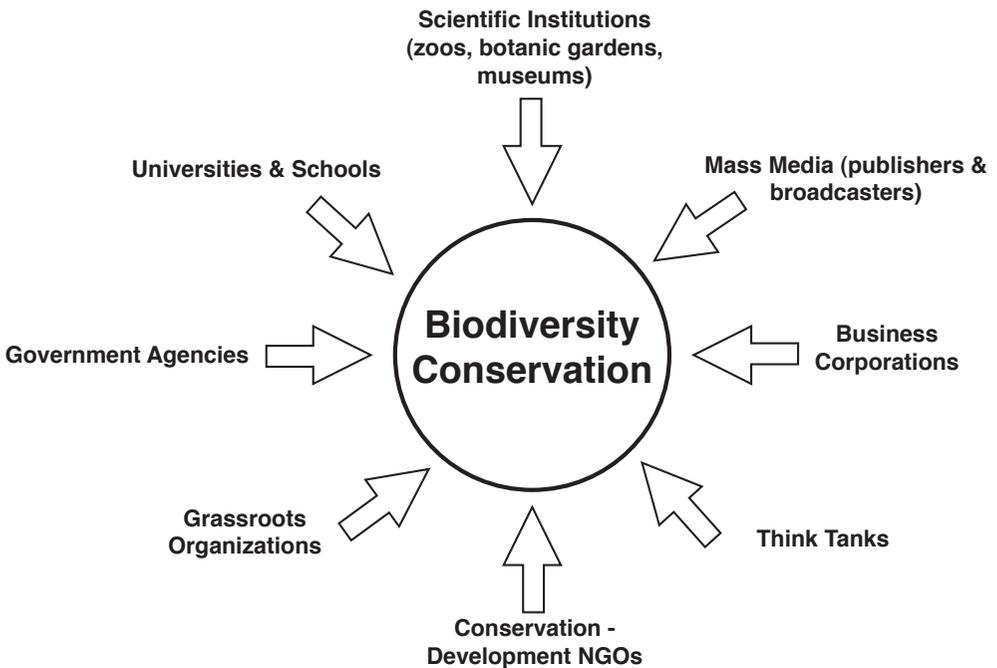
**Program Tactics: Diversity of Actions**

Effective conservation requires a mixture of actions



**Program Tactics: Diversity of Actors**

Effective conservation requires a mixture of actors



single axis, a style favored by some donors.

The point of the figure is that in each focal area the program staff considered a full range of options, as we saw them, among potential actors and actions. Then we attempted to find a unique mixture of them that seemed likely to advance conservation in that particular place. The strategies that guided the design of each cluster of grants were products of this process, and they often included unorthodox (or even unlikely) teammates. Although improved biodiversity conservation was the strategic target for the MacArthur program, a similar figure could usefully be constructed to describe the potential array of grantees and actions available in any field of philanthropy.

However gratifying they may sound, simple, elegant solutions for large-scale human problems inevitably fall short of their intended results. The diversity of our world (and of our species) is too great to force into linear global plans, as demonstrated by the failure of many highly sophisticated economic development projects guided by the “best” international experts. We assumed that in essentially every place, *local* is a synonym for *real*, and that social change will always be unpredictable and chaotic.

Similarly, we took it as a basic principle that achieving social change depends much more on the sustained efforts of deeply rooted creative leaders and resilient, persistent institutions than it does on the short-term, highly defined, and readily measured projects required by many donors, both public and private. Our operating stance was that creative and effective leadership can rarely be expressed through remotely designed schemes, experiments interesting for distant observers, or restricted budgets imposed by varied donors. This point of view is hardly unconventional, but it has not been widely adopted by foundations or by prominent sources of philanthropic advice.

Following logically from that position was our view that the responses of influential leaders and institutions to changing conditions can be no more determined in advance than the progress of basic scientific research. Surprises abound in the

real world, even in laboratories, where variables can be minimized. Consequently, we assumed that treating a highly complex, nonlinear field such as nature conservation and sustainable economic development as if it were an engineering problem would express an unrealistic and self-defeating perspective. That situation is common when private foundations adopt ambitious strategies rather than more easily reached goals.

High-quality engineering is essential in construction projects, mechanical or electronic design, and manufacturing processes, in each of which most conditions can be managed. That level of control, however, is not available for attempts to stimulate and sustain major changes in economic, political, or social systems. Based on those views, making mostly program grants as opposed to project grants and allowing substantial flexibility in spending these grants became a central feature of the Moving Spotlight style. We rejected the standard and rarely questioned assumption that projects designed in detail offer the obvious, fundamental mode for grantmaking.

### The Golden Mean: Can Program Grants Serve Strategic Objectives?

Program grants occupy a middle position between unrestricted institutional support and highly defined project grants. For large (mostly U.S.-based) conservation organizations, program grants allowed us to help them launch operations in new areas or to strengthen specific parts of their already extensive agendas. With small non-profit groups, mostly based in our target regions, program grants often covered much of what they were attempting to do, helping them to build new visibility, confidence, competence, and influence.

Except for supporting relevant conferences and similar events, we also minimized the use of one-year grants on the premise that little truly influential action can occur in such short time frames. Often justified as a method for maintaining tight reins on grantees, annual grants can be expensive in staff effort for both donors and recipients. In that way, they generally reduce returns on philanthropic investments.

A constant objective of the MacArthur program was the durable influence of grantees, ideally well beyond the term of our financial support. In effect, the goal was to help appropriate grantee organizations or programs to become institutions, implying long and influential lives for them. Resilient (and therefore durable) institutions are the indispensable instruments through which creative leadership is most effectively implemented and ambitious foundation goals can most reliably be advanced.

Thus the basic challenge was deciding how we could strengthen relevant organizations and expand the supply of individual leaders working in our target zones. To do that, we emphasized broad program grants for promising local organizations, funding for partnerships between them and industrial country institutions committed to their growth, and support of education and research opportunities for people living and working in the tropical biodiversity hotspots.

Predicting specific outcomes by certain dates as results of such grants would have been entirely unrealistic or would have led us to be satisfied with small, uncomplicated, and possibly trivial objectives. Program grants are about altering the circumstances in which any foundation's strategic objectives occur. Through using them, we aimed to improve the prospects for our relative success in making progress toward our goals.

A noteworthy and consequential result of awarding broad program grants is that recipients almost always spend relatively flexible funds with exquisite care. Nonprofit managers are strongly motivated to use such money exactly when and where it will make the greatest difference to their success – as they are best qualified to judge. Funds from closely restricted grant budgets are normally spent whether they are really needed or not. Giving grantees flexibility can in most cases lead to better results than maintaining tight control.

### Trust and Respect: What's the True Story?

A critical objective of the Moving Spotlight was to engender an atmosphere of mutual trust and respect among the foundation, its grantees, and

*A constant objective of the MacArthur program was the durable influence of grantees, ideally well beyond the term of our financial support. In effect, the goal was to help appropriate grantee organizations or programs to become institutions, implying long and influential lives for them.*

other relevant actors, including those whose proposals we rejected. Without such an atmosphere, no foundation will find it possible to achieve candid dialogue with its customers. Seeking honest exchanges between donors and grant seekers who are treated as partners rather than incompetent suspects can be a source of both efficiency and impact.

Because the MacArthur program's selection of its target regions was derived from three explicit, data-based criteria rather than unexplained preferences or unpredictably changing donor "interests," we had the unusual advantage of operating with falsifiable strategic priorities. When a grant seeker questioned our geographic choices, we could say that we would change them if our policy-shaping data were incorrect. Taking this position helped us to maintain respectful relationships with our customers.

We also acted on the belief that demands by donors for highly detailed budgets, schedules, and frequent "milestones" mostly display their misunderstanding of the challenges faced by nonprofit managers. Donor impact is clearly advanced by learning as much as possible from grant seekers, understanding their problems and how they function. Foundation officers can too easily preach to applicants for grants, learning little in the process.

Another large factor shaping our tactics was the foundation's strategic decision to work globally, meaning that we were a foreign agency in most of the places where we made grants. Being foreign (and American) meant that we needed to function in a low-key manner to escape suspicions that we had hidden agendas or sought domination. Not maintaining conspicuous field offices staffed with U.S. experts helped us in that respect.

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We also recruited program officers who were experienced conservationists and natives of our focal areas to give us meaningful intelligence about subtle cultural and political factors, local perspectives about grant seekers, and practical operating experience in those regions. They improved our understanding of the conditions under which local and regional organizations work in distant places and acted as sensitive bridges between the foundation and potential grantees. These program officers brought extensive personal networks to their work, and they conducted extended site visits to maximize their current knowledge of developments in their areas of responsibility. Showing respect for local leaders, operating under the radar of government agencies when necessary, and quietly supporting change agents were all core elements of their work as they carried out the Moving Spotlight process.

Put in other words, we tried to avoid behaving as if grant-seeking organizations exist to do the bidding of foundation officers who occupy Olympian heights. If a foundation does not respect

the knowledge and commitments of its grantees in the first place, awarding grants to inadequate recipients and attempting to instruct and guide them appeared to us to be a profoundly illogical and foolish way of operating.

### Flexibility Within Structure: Balancing Opposite Traits

A lesson of using the spotlight approach was that the apparently antagonistic attributes of structure and flexibility in a grantmaking program could, in fact, be complementary. Flexibility is a condition highly valued by people working in private foundations. Trustees, managers, and program officers alike are often reluctant to commit themselves to policies that would limit their ability to make substantial, sometimes sudden, shifts or deviations in their grantmaking programs. The problem with that practice is the substantial risk it presents of enabling unfocused or capricious actions.

The Moving Spotlight gave us a highly structured and disciplined style of grantmaking, but we also sought to display agility and responsiveness to unexpected developments. Using the spotlight rhythm, we maintained steady and predictable movements and focal points, but within that structure we tried to support innovators and unorthodox actions. Across the board, the complexity and unpredictability of the many threats to biological diversity in the places where it was richest led us to seek varied and flexible responses. At the same time, working globally with modest resources and a small staff led us to adhere to our tight, disciplined structure. The pervasive tension in that set of conditions shaped many tactical principles. (See Table 2.)

A simple way of expressing the desirable (and manageable) tension between structure and flexibility in a foundation's grantmaking practice is the image of a playground seesaw. (See Figure 2.) The constant and very useful challenge is to stand with one foot on either side of the fulcrum, seeking to maintain equilibrium between these equally necessary qualities. Foundation work is not necessarily as easy as it looks: It calls for intense concentration and discipline to maintain one's balance.

TABLE 2 Moving Spotlight Tactical Principles

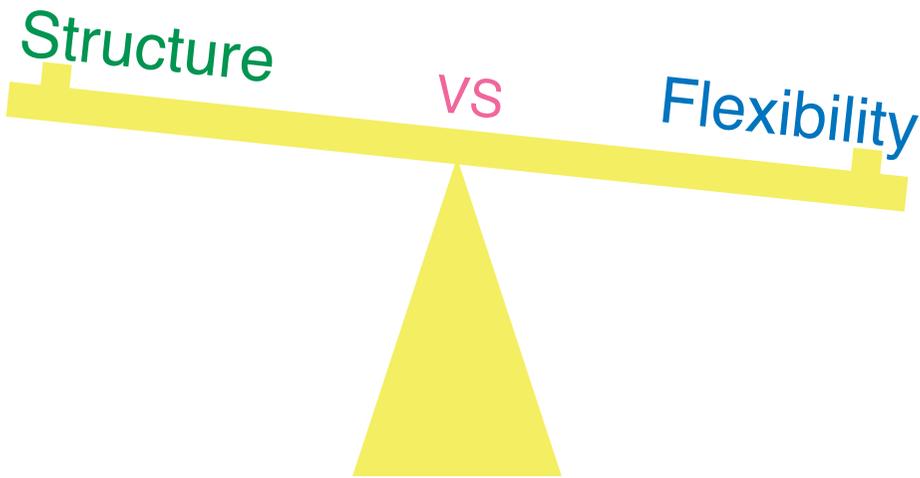
Structure (Focus)	Flexibility (Agility)
1. Define, explain, and publish program guidelines to provide clearly articulated screens for managing new proposals.	1. Stay open to unexpected ideas; accept unsolicited inquiries as well as selectively inviting proposals in each program area.
2. Choose well-defined geographic and thematic focal points to concentrate effort and avoid scattering within a global program.	2. Inside specific regions and themes, find diverse grantees and actions to maximize impact and learning.
3. Award grants based on knowledge of frontline conditions and leaders gained in site visits by staff; paper alone is inadequate.	3. Respond to local conditions and leadership by making grants for broad programs, not narrowly defined projects.
4. Organize grants almost entirely in clusters awarded simultaneously to focus staff energy and present clear picture to board and public.	4. Tailor the mix of grants in each cluster to fit diverse local priorities within range of program goals; no single predetermined approach.
5. Seek mutual reinforcement or convergence among grants in each cluster to elevate leverage (or influence) of foundation grants.	5. Diversify types of grantees, types of action, and levels of action supported by program (local, national, and transnational).
6. Provide funds for program objectives in each major area over relatively long term; minimize short-term projects.	6. Limit long-term commitments to specific grantees; adjust composition of grant clusters at three-year intervals.
7. Limit support for traditional roles of industrial country institutions; employ relatively restricted program grants.	7. Emphasize actions that build resilient institutions in developing countries; make relatively unrestricted program grants.
8. Coordinate actions, whenever possible, with other donors, including public sector agencies and other private foundations.	8. Exercise the foundation's freedom to support what other will not; take frequent calculated risks.
9. Make payments in declining steps to reduce grantee's expectations and risk of excessive dependence on one donor.	9. Allow flexibility in budgets and timing of spending to serve grantees' priorities and to support rapid responses to change.
10. Commission independent evaluations of grant clusters at three-year intervals; use their findings in planning new clusters.	10. Foster mutual trust with grantees by using clear, objective monitoring and evaluation; be partners, not judges.
11. Listen, Learn and Adapt	

### Conclusion: So What?

The particular set of strategic and tactical choices adopted by the MacArthur environment program is clearly not for everyone, nor should it be. Diversity, both in strategic objectives and operating methods, is a critical strength and value of private philanthropy that can (and should) elevate the creativity, resilience, and contributions of its grantees to the people they serve. Homogenization among personal donors and private foundations, however unlikely, is simply not a good idea.

Despite passing fads and the advocates of various "best practices," American private philanthropy will remain largely eccentric and uncoordinated, and that is mostly a desirable condition. The range of issues and problems needing remedies will always be broad and evolving. No single set of values or frame of mind can adequately contend with all of them. Some donors will adopt the language of "strategic philanthropy." Others will make large endowment or capital gifts that aim for the long term and cannot be closely controlled

**FIGURE 2** Maintaining constructive tension in grantmaking tactics requires a careful balancing act.



by them.<sup>8</sup> It should be difficult to make the case, implicit in some currently popular rhetoric, that such capital gifts have little meaningful strategic value.

Other donors may choose to emphasize short-term methods, employing restricted project grants focused on detailed schedules or “milestones” and precisely quantified “outcomes.” The likelihood of stimulating significant lasting results with that approach is open to serious question, but the unpredictability of social systems makes a diversity of donor tactics desirable. Choosing smaller and shorter-term strategic goals that are congruent with a donor’s motives and financial resources can be a reasonable course of action so long as the inherent limitations of that grantmaking style are understood.

The basic premise of the Moving Spotlight was that our work aimed to strengthen institutions and individual leaders who could carry on after our grants ended, thereby making the foundation’s actions more valuable than the amount of

dollars awarded. In one way, this approach was the opposite of the popular advice that private foundations should offer “more than just the money” by giving substantive guidance to their grantees. Yet by offering relatively flexible funds, we followed that advice in a different way, giving them trust and respect in addition to “just the money.” Outstanding as they were, we did not believe that our staff was qualified to offer managerial or programmatic direction to our grantees. When customers sought such advice, we were inclined to offer grant funds enabling them to hire consultants who possessed the right expertise and were not in the power position of our program officers.

Recognizing the inadequacy of our financial resources to produce durable change in the course taken by a complex global problem, we saw our basic challenge as struggling to stimulate more progress than we could actually pay for. We believed that foundation staff members are more likely to add value to the funds they are paid to allocate when they operate with that understanding of their work. Our principal technique for doing that was to seek the growth and adaptability of our grantees, gambling on their long-term influence and momentum when we could give them a boost with our program grants.

<sup>8</sup> Good examples of such gifts were the matching grants of \$113 million to the University of California, Berkeley, in 2007 to create 100 endowed professorships, and \$400 million to Stanford University in 2001 for the humanities, sciences, and undergraduate instruction, awarded by the William and Flora Hewlett Foundation.

We viewed the basic effect of our program grants as the maintenance or acceleration of actions begun by others rather than the initiation of actions conceived by us. Our grants were intended in nearly every case to be the addition of some financial fuel to the gas tanks of vehicles that already existed, not ones that we had built.<sup>9</sup> This position is the opposite of the “NIH (Not Invented Here) Syndrome” that characterizes the corporate attitudes and operating styles of some major donors.

The results of almost every foundation grant depend conclusively on the ability of grantees to attract funds from varied sources over the long haul. We called the independent decisions of other donors, customers, or government agencies to support the programs and policies initiated or advanced by our grantees the functional equivalent of profit in philanthropy. In other words, the Foundation reaped a profit when other completely independent donors – sometime collaborators, but always beyond our control – chose to back the same actors or concepts that we had supported, thereby sustaining their influence.<sup>10</sup>

Results of this kind are also called leverage in philanthropy, a very different meaning from the business use of the word that refers to debt. Concepts and grantees that attract diverse sources of support are on their way to long-term impact because they are passing the tough market tests that exist in the nonprofit world.

Thinking about the context of philanthropic work, we viewed the remarkable freedom enjoyed by private foundations in the United States as a political product of the substantial contributions

<sup>9</sup> A major exception to that principle was the establishment by MacArthur of the World Resources Institute (WRI) in 1982, before the Moving Spotlight was devised. WRI has clearly passed many market tests by attracting substantial funds from other donors over the past 30 years.

<sup>10</sup> A rare but outstanding example of profitable collaboration among foundations was the creation in 1991 of the Energy Foundation through pooled contributions by MacArthur, the Rockefeller Foundation, and the Pew Charitable Trusts. Twenty-one years later, the Energy Foundation receives no funds from the three original donors, but has a much larger budget resulting from the decisions of more than a dozen other foundations to support its grantmaking programs.

made by their grantees to the public welfare, not as a result of the foundations’ extraordinary wisdom. Similarly, we observed that the lasting value of foundation actions follow from how well they exercise that freedom and achieve leverage (or profits), rather than from the size of their endowments and grants budgets.

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Although the public pays attention almost entirely to large grants and to actions of the largest donors, we concluded that private foundations of all sizes can generate philanthropic profits through exercising their freedom creatively. By taking full advantage of their independence and selectively ignoring conventional wisdom about grantmaking, small and mid-sized foundations often accomplish more than they can directly purchase. Their stories should be told and appreciated more widely.

The tale of the Moving Spotlight describes a long-term experiment aimed at gaining philanthropic profits made by one element of a large private foundation that chose to operate with a global perspective while also making grants

with national and local objectives. Our experiment is not likely to be adopted in detail by other foundations, and this report does not imply that it should be seen as a “best practice.” Some of our environmental tactics were a result of our board’s strategic decision to work in many countries. Consequently, some of our procedures were less relevant to the design of purely national or local giving programs. Most of them, however, raise questions that can usefully be considered by most foundation managers.

*Grantmaking craft, or style, or tactics can be at least as significant in foundation program design and management (and probably to grantmaking effectiveness) as are substantive strategic choices. This dynamic applies to any organized philanthropy, regardless of its size.*

In any case, foundation program design and management must be understood as a craft, a combination of art and science, of beauty and usefulness, of subtlety and practicality (Sennett, 2008). To produce superior results, craftsmanship requires individual skill and judgment rather than an industrial perspective or conformity to common patterns. The concept of craft, which entails both technique and creativity (or structure and flexibility) is extremely relevant to any careful consideration of foundation management and the pursuit of philanthropic influence. Craft work is akin to custom tailoring; it is made by hand.<sup>11</sup> It does not lend itself to algorithms.

<sup>11</sup> The GrantCraft program, initiated by the Ford Foundation and now operated by the Foundation Center and the European Foundation Centre, is a valuable source of ideas about private foundation management. The Grantmaking School, operated by Michigan’s Grand Valley State University, is a good example of new (and overdue) attention to the professional training of foundation officers.

The simple point of this story is that grantmaking craft, or style, or tactics can be at least as significant in foundation program design and management (and probably to grantmaking effectiveness) as are substantive strategic choices. This dynamic applies to any organized philanthropy, regardless of its size.

Elements of grantmaking style we have discussed include:

1. choices about the size of a foundation’s staff and the nature of its expertise,
2. choices about the timing and duration of most grant awards,
3. the use of simultaneously awarded portfolios of grants,
4. recurring external evaluation of program decisions and design,
5. adopting data-driven strategic priorities that are open to challenge,
6. consistent and open explanation of decisions about applications for grants,
7. recurring meetings among grantees to develop and share relevant knowledge,
8. building honest and trusting relationships with customers,
9. emphasis on durable institutions and creative leaders rather than artificially defined projects, and
10. a focus on long-term influence as opposed to short-term control.

All of these practices deal with relatively routine aspects of foundation management, and most of them can be applied to grantmaking programs regardless of their strategic objectives. While diverse, this list falls far short of covering the entire range of procedural options. Many other tactical techniques are available, such as matching grants,

competitive prizes, and intermediary grantees. All of those methods and others not mentioned here deserve analysis and discussion among people concerned with the performance of private foundations. They are all consequential, but no single approach can be described as a “best practice.”

The unconventional procedures used by the MacArthur environment program were made possible by the particular circumstances of that foundation over more than 20 years. Those conditions will not occur the same way elsewhere, but elements of the Moving Spotlight approach might be considered as foundation leaders think explicitly about the processes or style they use as well as the substance of their missions.

Those processes are tactics or methods for carrying out any foundation’s work, and they are not the same as grantmaking strategies. The variety of tactical options is large, as some of the unorthodox choices described here are meant to suggest. Although strategy and tactics need to be congruent, tactical or stylistic patterns warrant separate, serious consideration at least as rigorous as that sometimes given to choices about the objectives of a foundation’s giving.

Tactical principles like these can provide internal discipline for private foundations, a class of organizations subject to practically no external disciplinary pressures. Because self-discipline is nearly the only kind available to them, it deserves close and explicit attention from foundation trustees, managers, and staff.

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