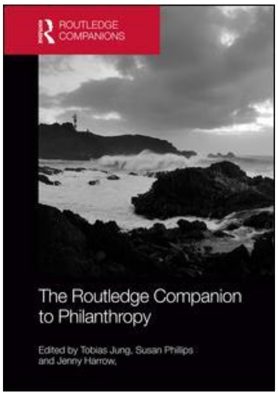

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Achieving philanthropic mission

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Achieving philanthropic mission

Directing and managing grantmaking

Peter Grant

Philanthropy is, in itself, an entirely unproductive process: philanthropic funds do nothing productive until they are transferred to a person or organization that puts them to use. Nonetheless, many mission statements from well-known grantmaking foundations claim or imply otherwise: 'to improve the health and health care of all Americans' or 'to improve the quality of life throughout the UK'. Such statements give the impression of philanthropic organizations being directly involved in social missions when they are, actually, conduits through which social missions can be met. The importance of a grant as a 'non-contractual one-way transfer of assets for a social purpose' (Grant, 2012: 12) lies in the fact it is a transfer with a use as its goal. The 'black box' nature of philanthropic foundations (Bethmann *et al.*, 2014), however, makes it difficult to understand the management and assess the achievements of their grantmaking and other ways in which they pursue their philanthropic missions.

To date, there has been minimal scholarship on the internal processes that characterize grantmaking. This might either be because these are seen as a secondary matter to philanthropy's grand design and a relatively unimportant aspect of philanthropic action, or simply because they are difficult to observe. Where this scholarship does exist, it concentrates on grantmaking decisions – that is, on what gets funded – rather than processes in full; it looks more to wider questions of accountability instead of management of these processes in their own right. This is illustrated by McCoy *et al.* (2009: 1650) who, in analyzing the Bill and Melinda Gates Foundation's grantmaking process, report that this 'seems to be largely managed through an informal system of personal networks and relationships rather than by a more transparent process based on independent and technical peer review'. Yet, in any organization, effective performance and achievement of organizational mission are based on a strong relationship between strategy and governance translated into a workable operational plan. In a philanthropic organization, that plan is often its grantmaking process.

The internal processes for directing and managing grantmaking in foundations are critical to achieving philanthropic mission: that this 'management of philanthropy' is an important area for advancing scholarship and practice in its own right. Foundations, which are in 'the funding business', have a responsibility 'to fund the work of others as efficiently and effectively as possible'(Grant, 2012: 85). The main problem of philanthropic management was defined well by Ostrower (2004) over a decade ago, when she concluded that foundations typically define effectiveness very generally, albeit with considerable variations among grantmakers, and that their effectiveness goals are often overshadowed by other priorities. A key challenge for foundations then is to clarify and specify what they believe it means to be effective, and have in place the appropriate governance systems and good grantmaking practices to achieve their goals. This entails not only focusing on the 'product' on offer to the end beneficiaries, but paying attention to their own internal workings as a funder. Increasingly, it also means looking beyond grants as the primary means of carrying out philanthropic missions.

This chapter examines the relationship between foundation governance, grantmaking, and strategy. To this end, it picks up some of the themes highlighted by Romero-Merino and Garcia-Rodriguez in Chapter 25. Rather than approaching the topic from governance theories, however, this chapter challenges some of the popular perspectives on governance and relates them specifically to the philanthropic grantmaking process. As such, the first part of the chapter focuses on questions surrounding governance within foundations in relation to grantmakers' boards and staff; the second part concentrates on practical questions about the management of grantmaking; and the third takes a critical look at 'strategic' philanthropy which is currently touted as the most effective means of achieving philanthropic missions.

'Good' governance in philanthropic organizations

Organizational 'governance' is the mechanism that translates the philanthropic mission into strategic directions and executes both through operational plans, as illustrated in Figure 26.1. Cornforth (2003: 17) defines organizational governance as 'the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organization'. As a system, governance presents four imperatives: setting an organization's overall direction; ensuring its effectiveness; supervising its assets; and providing accountability to stakeholders. In the nonprofit sector, a veritable cottage industry has developed in producing guides and consulting on 'good' governance (Tickell, 2005; CIPFA, 2004; Panel on the Nonprofit Sector, 2007). As yet, there is minimal serious scholarship on governance in philanthropic foundations, although attention is developing in relation to corporate and family philanthropy and their particular governance dilemmas (Bartkus *et al.*, 2002; Van Cranenburgh and Arenas, 2013).

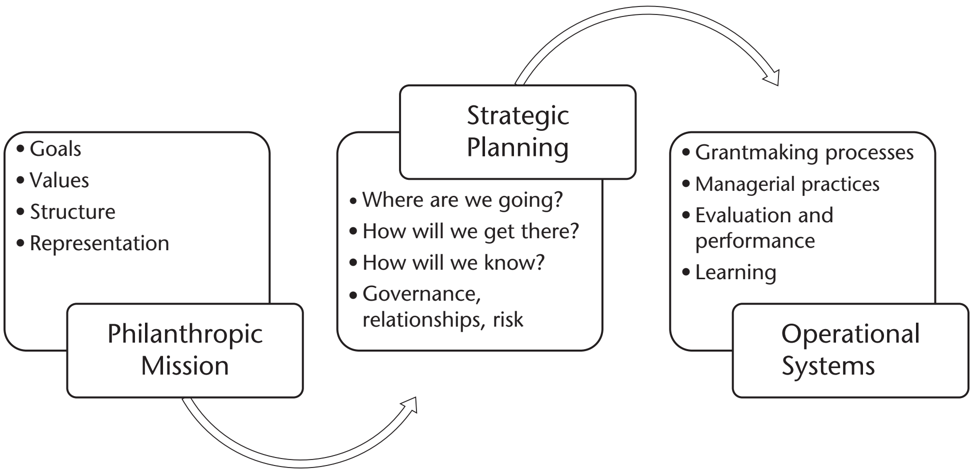

Figure 26.1 Governance, strategy and grantmaking

This literature points to three important factors that influence the quality of governance: the composition and role of the board; the foundation's relationships with stakeholders, particularly managing the power imbalance; and its approaches to risk.

The foundation board and staff

While the principles and specific practices of good governance may be debated, what is not contested is where responsibility for ensuring good governance lies within an organization. Its governing board is 'responsible for reviewing and approving the organization's mission and strategic direction, annual budget and key financial transactions, compensation practices and policies, and fiscal and governance policies' (Panel on the Nonprofit Sector, 2007: 13). There are some potential differences, however, in the key issues faced by boards of grantmaking foundations than those in the wider nonprofit sector that has been the subject of most of the extant research.

One important difference is source of funds and sense of 'ownership' (Harrow and Phillips, 2013) this entails. First, in the broader nonprofit world, the funding rarely comes from members of its own board or their close relatives. Particularly in family foundations, this is very common, however (Leat, Chapter 18). Second, most charities have to fundraise in order to survive, while private foundations have a permanent endowment, and so are relieved of this major task. Third, the stakeholders of most charities are clearly defined; they are the end beneficiaries of the charities' work. For philanthropic institutions, the stakeholders are more elusive. Are they just the recipients of their grants or the actual beneficiaries of those recipients? Where do the founders, if still active, or their families fit in? This can lead to a serious confusion over exactly 'whose money' it is that the foundation controls and in whose name the foundation holds its assets 'in trust'. As Richard Jenkins (2012: 25) points out:

> because their relationship with beneficiaries is mediated through their charitable objects, which may be fairly wide, and which may be clouded by ideas like "acting in the best interests of the charity", endowed charitable foundations can face the danger of running adrift through having a lack of clarity over why it is they exist.

In legal terms, there is no such confusion. Once an individual, group of people, or a company decides to establish a foundation, rather than simply making 'off the cuff' donations, they are legally relinquishing their personal control over the assets. 'Trustees gather not to represent their own interests, nor those of the founder, but solely those of the beneficiaries' (Jenkins, 2012: 25). As soon as philanthropists decide to adopt an organizational conduit for their benevolence, especially one that brings with it tax advantages, then they irrevocably lose the right to treat those assets as their own. Indeed, they have no greater entitlement to oversee the administration of those resources than any other person. By adopting a public face, philanthropy becomes, to a greater or lesser extent, a *public resource* (Young, 2000; Desai and Yetman, 2006). This is hotly contested by those who argue that if a person or donor has made the money in the first place, they retain a right to decide how and to whom it is allocated. This is a valid point while that money remains in the personal possession of the individual, but it is fatally weakened once that individual decides to adopt a public form for philanthropic giving. Therefore, it should make no difference whether the founder or members of their family sit on the board or not: the organization should be governed in exactly the same way with the interests of the end beneficiaries always paramount. Can the majority of philanthropic organizations swear that this is actually the case?

When we look to the composition of foundation boards, one might be sceptical about the degree of a public sense of ownership. The clearest way in which stakeholder involvement in an organization can be made manifest is by their direct representation in the governance of the organization (Cornforth, 2003; Hyndman and McDonnell, 2009). Diversity on nonprofit boards has also been shown to bring improved performance and accountability (Hallett, 1990; Coffey and Wang, 1998; Burbridge *et al.*, 2002; Grosvold *et al.*, 2007). In practice, there is often a lack of any stakeholder representation, or worse, lack of any diversity in foundation board representation. Much of the problem lies in the poor recruitment practices. Rather than going through a rigorous process of identifying gaps in knowledge or experience, producing detailed specifications for the roles and then adopting an open, public recruitment campaign, too many philanthropic organizations simply appoint a friend or business colleague of one or more of the existing board members. This leads to narrowly defined boards with few younger, less affluent or non-white members.

The boards of family foundations may intentionally lack diversity, as control remains with the founding family through many generations. In a study of 200 of the largest US independent foundations, Lungeanu and Ward (2012) find, as expected, that granting strategies are more narrowly focused in family than in nonfamily foundations when the family remains in control of the board. As new generations are included and as board size increases, however, family foundations become open to outside ideas and eventually become more diversified in what they support.

A related issue is that foundation boards often become far too involved in day-to-day, operational decisions. One of the first principles of good governance is for the board to remain focused on high level objectives or as one 'good governance code' puts it:

> trustees should focus on the strategic direction of their organization, and avoid becoming involved in day to day operational decisions and matters (except in the case of small organizations with few or no staff). Where trustees do need to become involved in operational matters, they should separate their strategic and operational roles.
>
> *(Tickell, 2005: 11)*

Nowhere in the nonprofit sector is this principle more ignored than in foundations, and there is a simple explanation that is strongly supported by empirical research (Andreoni, 1990; Rose-Ackerman, 1996; Hyndman and McDonnell, 2009; Breeze, 2010). The pleasure and satisfaction of the act of giving itself prompts board members to take active, operational roles. The greatest satisfaction for altruistic, volunteer board members of a philanthropic organization is making the actual grants, not the dull and dry accountability and supervisory roles they often perform in their professional lives (Grant, 2012: 86-7).

Many foundation boards also suffer from a fundamental misunderstanding about the actual business in which they are working. Philanthropists and philanthropic institutions facilitate social change or activity; they do not, except in specialized circumstances, carry it out themselves. When philanthropy is done through an organization, its board is in the *funding* business, with the task of funding the work of others as efficiently and effectively as possible. As Grant (2012: 92) advises board directors:

> You are not an educator, social worker or artist. Unless you want to be highly interventionist – and this requires very specialist forms of investment like venture philanthropy – you operate most effectively when you don't interfere too much with what the deliverers of the service are doing. If social investors think they are unique to their specialism, they will

> concentrate too much on the wrong things – the 'quality' of the 'product' on offer to the end beneficiaries – and forget about their own internal workings as a 'funder.'

Taken together, and especially where governance styles and practices are understood as expressions of leadership, a key managerial message for philanthropy involves the quality of recruitment of professionals to foundations, both as board members and employees. In larger and the very largest foundations especially, 'who are the grantmakers' may be understood as the leading salaried employees, including chief executives. There is again minimal research on foundations' patterns, means and sources of recruitment to their staff or to their boards. Underlying commentaries suggest the predominance of relatively closed and thus preferential recruitment modes, particularly with family foundation boards 'giving' senior salaried roles to junior family members.

This very whiff of privilege, however, may do a disservice to the contributions and commitments of staff. Although succession planning among CEOs in the business world and research is widely understood to be a core test of organizations' leadership and management approach, its scrutiny in a foundation context barely occurs. An exception is the study of foundation CEOs by Santora and colleagues (1997) which reveals that none had experience with succession planning, and advocates 'the need to study the process of *grant awarding* (author's italics) to uncover additional aspects related to understanding power, leadership and influence in foundations' policies'(Santora *et al.*, 1997: 108). While scholarship on employment motivation and remuneration in nonprofits generally is limited (but growing), its attention is predominantly on fund seekers, rather than on the minority, the fund distributors. Thus, little is known about the managerial cohorts working in foundations, their levels of pay and education, gender, age and diversity, notwithstanding that these will vary according to national cultural and regulatory environments.

Stakeholder relationships

For foundations, stakeholder relationships are heavily influenced by the distribution of power within the philanthropic relationship, or rather its dangerous imbalance. Philanthropic institutions, especially grantmaking foundations endowed in perpetuity, are in immense positions of power over those who seek their resources. This power relationship was recognized by the economist Kenneth Boulding (1981) who defined grants as coming from two different motivations for gifts, arising out of 'love' and out of 'fear'. In some cases, the two motivations are mixed, but he concluded that 'the grants economy cannot be separated clearly into an integrative sector and a threat sector' (Boulding, 1981: vi). It requires great concentrations of will and control for philanthropists to overcome the temptations that come with this power. Because grantmakers are always in a position of power over their recipients, they will hardly ever hear what their stakeholders really think about them, unless they work hard to ensure they have a voice.

The problem of defining stakeholders in the first place can be inhibited in foundations with long-term asset bases. It is often forgotten that, unless the legal structure of a philanthropic organization specifically states that it is established in perpetuity, it has a duty to place the achievement of its philanthropic mission above that of preserving the value of its financial assets. In the UK, only 43 percent of endowed foundations are so constituted (Pharoah *et al.*, 2014). In the US, tax law stipulates that foundations must distribute five percent of their assets each year, but there is no such stipulation in the UK (Pharoah and Harrow, 2010). In both countries, there has been criticism that insufficient funds are being utilized for philanthropic purposes by some foundations and that certain boards see their power as being enhanced by the size of their endowments rather than the effectiveness of their programs.

The governance imperative of 'ensuring effectiveness', with its managerial implications, only works so far for foundations as it is not subject to shareholder challenge nor to market whims, except where their own investments are affected. Boards rarely hear what their stakeholders really think of them, and may suffer from lack of reliable feedback, and senior managers in foundations may well be in similar positions. The conservative critic, Martin Morse Wooster (2006: 19), states that 'the grantmaker usually finds himself surrounded by mendicants, courtiers, and flatterers. Faced with all this flattery, he naturally becomes more than a little full of himself'. For this reason, both the boards of philanthropic organizations and their senior managers need to find ways in which they can access reliable information about their own performance.

The extent to which this is addressed by grantee surveys of perceptions of foundations or grantees' opportunities to present their experiences within program or project evaluation for funders is unclear (Center for Effective Philanthropy, 2009). Experiments in improving stakeholder relationships are, however, becoming more evident and discussed, although practice rather than academic literature predominates. Such surveys offer increasingly detailed insights into the kinds of managerial learning that foundations need to adopt, and certainly do not create a uniform 'warm glow' of grantees towards their grantmakers. Buteau and Chu (2011: 1) for example, in a US based survey of more than 24,000 grantees about their views of 130 foundations find that grantees particularly value opportunities to discuss their reports and evaluation with foundations, yet nearly half of grantees reported that no such discussions occurred. Recognizing that foundations face their own constraints in their ability to have those discussions, Buteau and Chu (2011: 3) observe 'that foundations are more likely to discuss reports or evaluations with grantees when their staff are managing fewer active grants'. The dual emphasis that foundations give to these interactions – as a means of 'better understanding effectiveness' (their own, but as mediated by grantees) and 'streamlining (evaluation and reporting) processes' creates tensions. Buteau and Chu's (2011: 2) work emphasizes the central importance of 'strong funder-grantee relationships – the quality of interactions and clarity and consistency of communications'. All these processes necessitate particular managerial skills and expertise, while contributing centrally to the achievement of a foundation's goals and articulating its own values.

Combined with the feelings of power and prestige that permeate philanthropy is the fact that philanthropists face few external pressures to improve their efficiency or effectiveness. Despite their quibbling about regulations imposed by government, philanthropists and their institutions are not subject to review by shareholders, nor are they at the whims of a market. Thus they suffer from a lack of reliable feedback, and may become risk averse, even though in many respects they have greater latitude to take risks than do government funders.

Risk aversion

This chapter began with the contention that philanthropic organizations in themselves are unproductive bodies. It follows that if a philanthropic organization cannot define itself in relation to the achievements of those it funds, it must instead achieve its mission by adding value to the activity of philanthropic investment itself. Thus the achievement of effectiveness, one of the prime goals of good governance, needs to come through in some way.

There is also a temptation, stemming from the stewardship role over philanthropic assets, to be highly risk averse. But this is due to a misunderstanding of the true nature of risk in philanthropy. In 1987, Michael Hooker (1987: 139) wrote that 'caution rather than boldness … guides foundations' selection of proposals … they can be likened more to commercial bankers than to venture capitalists'. His interjection became one of the catalysts for one strand of philanthropy that endeavours to become more like venture capitalists (Defourny *et al.*, Chapter 22; Hebb with MacKinnin, Chapter 29). The comment also has credence for explaining the limited risk appetite of philanthropic organizations.

In spite of all the rhetoric about being catalysts and venture philanthropists, recent evidence indicates that grantmakers remain risk averse (Brick *et al.*, 2009; Jenkins, 2012). In part, this has to do with their misunderstanding of the most fundamental risks in philanthropy. Many of those engaged in philanthropy think of risk as being about the danger of their investments being misappropriated. This is one risk, but it is by no means the greatest. By far the biggest risk is that their investments do not have the effects anticipated. Inevitably, quite a substantial part of this is about financial risk, but not the key bit. Philanthropic organizations may well have highly efficient, low cost programs that create lots of outputs – staff employed, courses run, information produced, beneficiaries reached. But, these are of little use if they are not having the desired impact on the real beneficiaries – for example, improving their health or getting them jobs. The real risk in philanthropy, then, is not so much about money, but about effects. Boards, therefore, need to have information that provides them with good measurement of effects (von Schnurbein, Chapter 30). Effective governance is also not about minimizing or even necessarily about reducing risk; it is about properly calculating what the risks are and then taking known risks – with a plan in place for when things go wrong. Good governance, including a well-functioning board, informed and constructive relationships with stakeholders and quality information so as to manage risks, is essential for effective philanthropy. So, too, is the process and conditions for making grants, as examined in the next section.

Who and what defines 'good' grantmaking

The factors that constitute 'good' grantmaking have been well elucidated in the literature (GrantCraft, 2004; Liffman, 2004; Big Lottery Fund, 2005; AIGM, 2011; Harrow and Fitzmaurice, 2011; Directory of Social Change, ND; National Committee for Responsive Philanthropy, ND). The most comprehensive of these consider grantmaking from both sides of the transaction. Consistently, recipients identify several key actions to be the hallmarks of a 'good' funder as described in Table 26.1.

None of these practices ought to be difficult to achieve. If organizations find them hard, then either they are putting too few resources into the administration of their funding processes, or they fundamentally fail to understand how these processes work. But these are a set of simple guidelines that define the way funders should treat their grantees. They say nothing about the outcomes for the end beneficiaries and so, even if funders adopted them all, would they really be practising good, and more especially effective, grantmaking? Good grantmaking rationales and practices become fragile when grantmakers' own objectives are either less than clear, or, worse, are internally competitive. Thus Millesen and Martin (2013), exploring decision-making in US community foundations that are facing demands from donors, recipients and communities, find that decision-making is 'influenced by three powerful forces; fear, tradition, and serendipity'.

In the academic literature, 'good' grantmaking is treated primarily as a function of high quality and sustained communications between grantmakers and grantees. While much of this work concerns relationships with individual grantees, philanthropic organizations' use (or lack of use) of web-based communications arises as a further opportunity for encouraging the openness of communications that grantees seek. The general view is that foundations have not been particularly transparent: for instance, in 2010 only 29 percent of 11,000 US foundations had a website (Smith, 2010), and a recent study (Brock *et al.*, 2013) of nonprofits indicates that

Table 26.1 Hallmarks of good funding practice

Aspect	*Hallmarks of good funding practice*
Application process	Funders should make it absolutely clear what they won't fund and what they will with no jargon or resort to the current 'buzz words' of social theory. Everyone who is eligible to apply for the grant should be given the opportunity to do so. Relatively short application forms or information requirements should be used that can utilize existing information and all applications should be acknowledged. Where the relative chances of getting a grant are slim and more information will be required, a two-stage process should operate.
Decision criteria	Every grant should be awarded on the basis of clear, transparent and publicly accessible criteria. Every grant should be based on a coherent and plausible rationale.
Process and relationships	The applicant should be able to speak directly to someone at the funder, ideally receiving a personal visit before the funding decision is reached. There should be swift decision-making to a published timetable (no more than about 12 weeks). There should be clear reasons given for rejection if unsuccessful. Grantmakers should ensure that the process of grantmaking is fair, unbiased and transparent. Grantmakers should share the findings of their failures, as well as their successes.
Grant terms and conditions	Grantmakers should provide unrestricted funding or if 'outcomes' are sought, these should be fully agreed and the funding should be for the full costs incurred. Funds should always be released well in advance of need. Project-based revenue funding should be available for at least three, preferably at least five, years. Post-funding reporting should be straightforward and aligned to the recipients' existing reporting methods.

more than half of respondents want their funders to be much more transparent about what has worked in their grantmaking and what has not. This appears to be changing, however. Heredia's (2013) study of US foundations' use of social media breaks new ground, raising further questions around foundations' private nature. She finds the foundations in her study are active users of social media, engaging with an active audience online. She argues that 'foundations' use of social networks provides researchers and the public with a new avenue for learning about foundations' activities and providing feedback about foundations' theories, practices, and research' (Heredia, 2013: 86).

A truly effective grant maximizes its intended social return or impact (Grant, 2012: 17), which means that the nature of the philanthropic mission needs to be considered when assessing what constitutes good grantmaking. If that mission is focused on charitable beneficiaries then a 'good grant' is one that brings maximum benefit to these people. So defining what makes a good grant is in itself not difficult. To be productive, philanthropy must also add value to the transaction process. Linda Kelly of the (UK) Lloyds TSB Foundation suggests 'for us, good grantmaking isn't just about the funding: it has to add value to charities and their beneficiaries/users through listening, learning and responding to their needs' (Kelly, ND). Such an approach to 'value added' offers two important insights. First, we need to consider the cumulative impact of a granting program: many grants can add up to more than the sum of their parts. Second, effective funding is more than grantmaking. The 'transformation' of resources from funder to recipient usually depends on the many things that the funder can do in addition to simply providing some cash.

Exactly how this kind of transformation can occur is a crucial aspect of understanding the process of philanthropy, particularly how it relates to the science of operations management, a relationship hitherto virtually unexplored in the literature. The way philanthropists manage their operational processes is not sufficiently understood and quite often leads to the trap of 'grantmaking by theoretical analysis' (Ellsworth *et al*., 2002). As discussed later, this trap has led some commentators to attempt to describe a single approach or prescription for philanthropy and its delivery: 'venture' or 'strategic' philanthropy become *the* answer to most, if not all, problematic grantmaking decisions. A better understanding of the way philanthropy works suggests that there is no single 'best' approach, although there is an underlying logic that can be better understood from a brief study of operations management thinking. Table 26.2 identifies important aspects of developing and managing philanthropic action, from the perspective of operations management thinking.

As noted, strategic planning and management of the philanthropic process are important to achieving impact, but strategy is also being misused in contemporary philanthropy.

The use, and misuse, of strategy in philanthropy

The major goals and values in foundations present a continuing basis for academic study in philanthropy, while the managerial means of turning these into workable strategies remains far less examined. Paradoxically, both practitioners and scholars may support this division by their emphasis on what is often broadly cited as 'beyond grantmaking' whereby innovative foundations take action to add significant value for their grantees, in addition to 'the grant',

Table 26.2 Applying operations management to grantmaking

Element	*Guide to practice*
Purpose defined	From the start, the grantmaker needs to understand and communicate the purpose of the funding program and link strategy with strategic planning.
An integrated system	Decisions are interconnected: what to focus on; what sort of recipients, which geographic areas will impact other decisions. Any decision may limit choice in other areas.
Robust research	Achieving philanthropic mission entails being able to identify which projects and organizations are most likely to produce the desired outcomes. A robust, thoroughly researched and effective process – an analysis of facts to reach a reasoned conclusion about a potential future scenario – is essential.
Effective measurement	The outcomes sought are often complex, and require appropriate, different forms of measurement. What will success look like? Such measurement should be planned from the beginning, not an afterthought.
Outcomes lead process	The design of a funding process needs to start from the *end* – the outcomes and impacts – and work logically back to the start, including who to support and how.
Continued management, but not process for the sake of process	The granting process does not stop once recipients have the funding; post-decision management needs to be ongoing to ensure intended results are produced. Process should make the really important human decisions easier, but an over reliance on process can be enslaving. Its development should be not determined by a few internal 'experts', but informed by an understanding of the needs of potential recipients.

and so create roles as 'changemakers' (Greeley and Greeley, 2011) or as 'institutional entrepreneurs' (Quinn *et al.*, 2013). While adding distinctive value in grantmaker-grantseeker relations is important, the phraseology of 'beyond grantmaking' suggests that grantmaking itself is a practice that ideally needs to be 'moved on from'. It also may downgrade the work of the smaller foundations whose work is encapsulated in the further phrase, with its own implicit meaning, of 'conventional grantmaking'. How then is strategy developing in philanthropic contexts, and with what managerial practice models?

In its broad, well intentioned and, on its own, essentially unproductive persona, philanthropy may not appear to mix well with the thinking on strategy which seeks to distill and encapsulate organizational goal and values and set baselines for their achievement. For example, Jenkins (2012: 25) has assessed that

> because their relationship with beneficiaries is mediated through their charitable objects, which may be fairly wide, and which may be clouded by ideas like "acting in the best interests of the charity", endowed charitable foundations can face the danger of running adrift through having a lack of clarity over why it is they exist.

It may be for that very reason that the concept of 'strategic philanthropy' has become so popular in recent years.

Until the late 1980s, most of what was being written about strategy development depicted it as a very deliberate process with thinking, followed by planning, followed by action. Since then, commentators have questioned whether strategic *planning* was as critical a priority to business success as had been previously thought; a debate evolving as to whether strategy should be practised as art, science or a combination of both. Proponents of more integrative and emergent approaches (Mintzberg, 1987, 1994) argue that strategy should be practised mainly as an intuitive, creative and divergent thought process – strategy as art. For Mintzberg (1987) strategies could *form*, as well as be *formulated*, meaning that a realized strategy could emerge in response to an evolving situation, or be brought about deliberately, through a process of formulation followed by implementation (more recently, Kania *et al.*, 2014). Moreover, in demonstrating how the planning process itself can destroy commitment, narrow organizational vision and discourage change, Mintzberg concluded (1994) that 'strategic planning' is oxymoronic, as strategy cannot be 'planned', since planning is about analysis and strategy about synthesis.

Alongside those who continue to support the view that strategy is a rational, analytical, convergent thought process, others have argued that strategy should combine both approaches to achieve the best outcomes (Liedtke, 1998, 2000; Graetz, 2002). Much of this debate seems to have passed philanthropy by, and there has been much confusion about how strategy should be utilized in philanthropy.

Probably most philanthropists would want to be considered 'strategic' in the sense that their individual investments are more than just the sum of their parts. During the past ten years, however, strategy in philanthropy has been employed to describe what its proponents contend is an entirely new approach. Its leading impetus was Porter and Kramer's 1999 *Harvard Business Review* article, whereby strategic philanthropy entails doing four (somewhat overlapping) things: achieving (measurable) superior performance in a specific area; choosing a unique positioning; engaging in unique activities and forgoing some grantmaking opportunities in order to focus on others. Strategic philanthropy also entails deciding what *not* to do and this, they say, 'is the acid test of whether a foundation (or any organization for that matter) has a strategy' (Porter and Kramer, 1999: 127). Three elements of strategic philanthropy were subsequently identified (Kramer 2001: 44): 'identifying the change one hopes to bring about, clarifying internal values and strengths, and ascertaining external needs' and that 'it is only by undertaking all three simultaneously that a fully formed strategy, capable of evaluation, can be achieved.'

Such affirmation of strategic philanthropy would seem to turn limited research findings about its value and effectiveness into a supposed universal theory. It falls into what Ellsworth *et al.* (2002) call the 'theoretical analysis trap,' whereby the proponent goes beyond developing a theory of change that *might* explain how a particular social change could be brought about, and instead substitutes a supposed universal theory relevant to all circumstances. In a somewhat neglected, but richly rewarding critique of certain philanthropic approaches Ellsworth *et al.* (2002), caution against 'grantmaking by strategic planning'. While they admit that strategic plans establish a hierarchy of goals, objectives and indicators and are essential to all organizations, there is a danger in thinking that the strategic plan is an end in itself. Though the strategic approach is often promoted as being 'best practice', and it does establish a target for a philanthropist to aim at, its significant drawbacks include: easily becoming an imposed 'top down' donor-driven approach; becoming an internal obsession when philanthropic organizations should be externally focused; based more on theory than reality; and transforming into an over emphasis on bureaucratic rather than innovative approaches and the possibility that monitoring and evaluation of the plan itself is forgotten.

Empirical evidence, while minimal, tends to support the view that the approach taken to strategic planning in many philanthropic organizations is still in the pre-Mintzberg era. Research by the (US) Center for Effective Philanthropy (2009: 10) concluded that 'foundation leaders' conceptions of strategy overvalue the presence of a strategic plan and undervalue the logical connections necessary to have a strategy'. Supporting much of Mintzberg's analysis, this research reports that assessment of results against strategies remains a significant challenge for foundations; staff struggle to determine the right data to collect and how to collect them, and look for help from their boards in these efforts. The study concludes that 'having something that is labeled a "strategic plan" and having thought through the step-by-step logic of how specific resource and programmatic decisions will ultimately lead to impact are not one and the same' (Center for Effective Philanthropy 2009: 11). The work also confirmed the influence of agency theory within philanthropic organizations as 'only half of the CEOs in this study reported that there is a completely shared understanding among the board, CEO, and staff, of the goals the foundation is working to achieve' (Center for Effective Philanthropy, 2009: 15).

Critiques and some close analysis of the 'strategic philanthropy' case are also challenging its practice, and re-examining its logic, to further support philanthropy's development (see the debate in response to Brest, 2015). In terms of its ability to produce results, Schambra (2013) boldly argues that strategic philanthropy has 'failed to solve even one social problem once and for all, by penetrating to its root cause'. In addition, rhetoric has outpaced practice. For example, Patrizi and Heid Thompson (2011: 52) assert that 'many foundations have adopted only the veneer of strategic philanthropy' and identify its complex challenges, notably strategies developed in isolation from the grantees that execute them and foundation structures and processes that 'do not support strategic endeavours'. Boris and Kopczynski (2013) acknowledge the momentum among leading US foundations towards charting impact, but find that 'the approaches they use are diverse and the language is idiosyncratic', which has implications around convergence or divergence for those foundations' managers, as well as their directing boards. Bernstein (2011) challenges the assumption underlying the very phraseology of 'strategic philanthropy', that the donor not only knows the problem it seeks to help solve, but also how best to solve it; raising issues of the roles and contributions to problem solving of foundations' other insiders and outsiders, their staff, including junior staff and their beneficiaries. On a broader front, Boesso *et al.* (2014) return to the inextricable links between foundations' governance and strategies in aiming to empirically examine if and how different governance attributes associate with different philanthropic strategies. Studying 112 Italian foundations, they find the strength of boards' advisory roles are critical. 'Active' boards are expected to screen relevant public needs and properly invest foundations' resources in meritorious projects, while 'inert' boards risk pursuing private goals, camouflaged as public interest, and they dissipate resources by unconditionally financing unrelated grant requests. Again, this raises the question of the respective roles of foundations' staff in sustaining or ensuring 'active' or 'inert' boards. Notwithstanding strategy's frequent rebadging within philanthropy, the core question running through foundations' decision-making and management is 'who and what defines good grantmaking'.

Reflections

Our current degree of understanding of the interaction between good governance, effective strategic planning and good grantmaking processes is not extensive. There are, for example, many excellent evaluations available on individual grant programs but, as yet, very few wider studies of the effectiveness and impact of philanthropic institutions. There are a number of frameworks for assessing philanthropy's impact (Letts *et al*., 1998; Flynn and Hodgkinson, 2001; Niven, 2003; Paton, 2003; Cutler, 2009; Center for Effective Philanthropy, ND; von Schnurbein, Chapter 30) and some pioneering attempts by foundations to achieve a measure of their own impact. But the interaction of the three elements of governance, grantmaking processes and strategy remains as elusive as it did when Ostrower (2004) defined the problem more than a decade ago: that too few foundations actually clarify and specify what they believe it means to be effective, and make effectiveness a priority. For many foundations the challenge of defining and achieving effectiveness is affected by their unique insulation from external forces. Ostrower's (2004: 2) advice – 'foundations must find ways to obtain fresh perspectives and objective data on their performance to serve as a "reality check" on their own perceptions' – remains critical. The professionalization of philanthropy, which has particular importance for foundations, is not the subject in any detail of this chapter, but it may hold a partial key to this reality check. This might occur informally, as staff move within the foundation world. Or, it might occur formally, if and where more junior staff are actively engaged in giving insights into their foundations' program directions, as in the US 'Caring to Change' project which 'drew on the wisdom of younger people, people of colour, and others in philanthropy and nonprofits not normally involved in setting foundation strategy' (Rosenman, 2010, 2). Alternatively, professionalization might serve to reinforce the sense of separation from the rest of nonprofits. Indeed it might be argued that an objective judgement cannot come from within the philanthropic community itself because the issues of power prohibit such self-analysis. Therefore, we need more objective, external analyses of the extent to which philanthropy is meeting its mission, to what extent there is a gap between the reality and its potential for instigating meaningful social change, and how management processes in philanthropic organizations are central to achieving this level of change.

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