

The T@TPI forum series provides a national audience the opportunity to participate in a substantive discussion around important issues that profoundly affect philanthropy and society.

The series' goals are to dig deep into the issues, to generate and disseminate new approaches, and to provide a forum for the exchange of ideas. Featuring a live audience and expert panel, the moderated discussion is designed to allow the participation of interested parties from across the country, utilizing a Web and teleconferencing format that includes polling, Web chat, call-in questions and a post-forum survey. WGBH, Boston's public television station, films and makes available to viewers a video of the session, via the WGBH Forum Web site. Go to <http://forum.wgbh.org/wgbh/> and under Browse by Partners, click on Philanthropy.

The Philanthropic Initiative, Inc.

INITIATIVES

A NEWSLETTER ON STRATEGIC PHILANTHROPY

“On the Issue of Trust”

Philanthropy is private action in public space. In an increasingly political and media intensive world what governance, what accountability, what transparency and what attitude is appropriate, expected, and right for charitable organizations and private foundations?

Peter Karoff's essay “On the Issue of Trust” explores the impact and potential consequences for philanthropy of society's diminishing trust in its institutions.¹ It also provided the background and context for a provocative Tuesdays@TPI forum, *Trust and Transparency: Philanthropy as Private Action in Public Space*, March 9, 2004. At a time when philanthropy is increasingly a subject of scrutiny and criticism by the media and the government, when trust in its institutions is at its nadir, TPI concluded that this forum and a special issue of *Initiatives* were both important and timely. TPI is deeply grateful to Citigroup Private Bank Philanthropic Advisers for its generous support for this event.

The panel of experts on March 9 included: John Abele, founder and chairman of Boston Scientific and donor to the Argosy Foundation; Peter Goldmark, past president of the Rockefeller Foundation and a director at Environmental Defense; Scott Harshbarger, former MA Attorney General and Common Cause president; Alex Jones, Pulitzer Prize winning journalist and director of the Shorenstein Center at the Kennedy School at Harvard; William Pounds, dean emeritus of the Sloan School at MIT; Dorothy Ridings, president and CEO for the Council on Foundations; Marion Fremont-Smith, partner, Choate Hall & Stewart; and moderator, Peter Karoff, founder of TPI.

This panel of donors, lawyers, journalists, professional advisors, and leaders in state government and organized philanthropy came together in agreement with other forum participants that

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Selected Resources:

For more information on our panelists' work, the issue of trust, and how the sector is responding visit these Web sites.

The Council on Foundations

<http://www.cof.org>

The Forum of the Regional Associations of Grantmakers

<http://www.givingforum.org>

The Independent Sector

<http://www.independentsector.org>

Council of Michigan Foundations

<http://www.cmif.org>

Minnesota Council on Foundations

<http://www.mcf.org>

TPI Advisor Resources

<http://www.tpi.org/promoting/advisorresource.htm>

Common Cause

<http://www.commoncause.org>

Environmental Defense

<http://www.environmentaldefense.org>

The Joan Shorenstein Center on the Press, Politics and Public Policy at Harvard University

<http://www.ksg.harvard.edu/presspol/>

MIT Sloan School of Management

<http://www.mitsloan.mit.edu>

The Hauser Center for Nonprofit Organizations

<http://www.ksg.harvard.edu/hauser>

INITIATIVES

A newsletter on issues of strategic philanthropy

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"On the Issue of Trust" continued

day that trust in philanthropy and its institutions and actions is fundamental to its "franchise to operate." It is a thesis that reinforces the underlying message in the opening of Karoff's essay:

The field of philanthropy is overdue for a serious reassessment of its mission and examination of many of its operating assumptions. A good defense is not the answer. While frustration within the field is palpable, [there is also] a yearning to turn powerful visions of good works into practical strategies for transformation.

"The nonprofit sector has been a phenomenal source, historically, of new ideas, of innovation, of leadership, of change, and sometimes of very shrewd and disciplined planning and foresight," noted Peter Goldmark. "It is a sector, not always well-understood, that other cultures and countries envy, and that remains a great asset to the world.

"That sector, in some crude sense, now is on trial," he added, "on trial to define our standards, to justify our mission and to re-earn trust. And that is OK, that is why we came today."

"Society has given this sector a wide degree of freedom to choose purposes, to carry out missions, and has also given it very important tax incentives for support," said Marion Fremont-Smith, lawyer and senior research fellow at the Hauser Center for nonprofit organizations at Harvard. "I look at trust not as an issue, but as a relationship that demands the greatest, highest adherence to standards of fair dealing and prudence. If the stewards of philanthropy do not adhere to these standards, society is not going to provide its support. The issue then is how do we preserve these advantages and assure compliance with high standards in ways that do not impinge unnecessarily on the freedom we enjoy in carrying out our missions."

These were among the important themes explored that day, a portion of the proceedings of which are presented here.

¹ "On the Issue of Trust," is being published by the International Journal of Not-for-Profit Law and is available in draft form on www.TPI.org.
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John Abele



Peter Goldmark



Scott Harshbarger



Alex Jones



Peter Karoff



William Pounds



Dorothy Ridings



Marion Freemont-Smith

Teapot tempest or storm brewing?

“On the Issue of Trust” is based on the premise that trust in our society as a whole is in decline and philanthropic organizations are not immune. But is there really “a crisis in trust,” and what exactly does that mean? How encompassing is it? How resilient? On what is the mistrust based?

Among the many causes, media attention on philanthropy has increased. “While initially positive, the media’s infatuation in the late 90s with the givers and giving and what might be possible soon turned critical, much of it focused on actual or presumed fraud and abuse within the philanthropic sector,” writes Peter Karoff. Might the erosion of public trust then be the product of little more than a media-driven, perhaps misguided public perception?

Dot Ridings, Council on Foundations president, says no. “We have always been aware that some members quietly leave the organization because they are not living up to our expectations, even at a minimum level. But we really didn’t expect the amount [of misconduct] that has been exposed, not just by newspapers, but by looking closely at the 990s [Form 990-PF, the IRS’s annual reporting form for private foundations] filed in recent years. When I came to the Council eight years ago, I had no idea that there was the degree of either wrong headed, deliberate or just ignorant error going on in philanthropy that I am now convinced exists.”

Some real abuses certainly do exist, according to author and researcher Marion Fremont-Smith. “In a survey [we published] of press reports of wrong doing by charities from 1995 to 2002 we came up with 140 criminal cases and 54 cases of breach of fiduciary duty. It involved organizations across the board. We’ve just finished the numbers for 2003 and, compared to the 54 cases over seven years, we see 74 reported cases in one year. Of course there has been major new media

interest in the issue, spurred in large part originally by the debate over the pay-out rules. But clearly the numbers signal something to be aware of.”

Still, in a sector that comprises more than 900,000 nonprofit organizations and 60,000 foundations one might ask, is the number of cases of outright abuse cause for widespread mistrust?

The follow-up survey, to which nearly a third of the forum’s listeners responded, showed that 42 percent had been involved in an ethical dilemma. The examples included a foundation director with a conflict of interest, an agency that relied on government funding and had to shut down, a decision to eliminate trustee compensation, advising a donor that his philanthropic plan was unethical, and a question of whether an elderly donor understood the consequences of an irrevocable gift of his estate to a community foundation.

Or is it a matter of accountability?

According to the panelists, a large measure of the public’s mistrust is based on the sector’s overall lack of accountability – accountability for many things, including being true to mission.

“Execution is the problem,” John Abele, founder and chairman of Boston Scientific says, “rather than dishonesty or unethical behavior. What about faith in the competence of the organization to achieve the intended goal? You have trust of the organization, trust of the individuals and trust of the program to consider.” As he points out, it is not a single, or a simple issue.

Bill Pounds looks at the issue from a similar perspective.

“When I think about what is involved [in putting trust in philanthropy], three things come to mind: first, do I trust in the integrity of the donor’s intent; second, do I trust in the integrity and effectiveness of those employed to carry out that intent; and third, do I trust in the integrity and the willingness to act of those overseeing the program.”

When moderator Peter Karoff asked the off-site audience which factor has contributed most to the loss of trust, a significant minority identified “inadequate governance, accountability and standards.” They identified another factor, lack of transparency, however, as even more important. (See chart, page 4.)

Transparent = open and accessible

Off-site participants were asked: To what do you attribute the lack of trust in philanthropy – what is the single greatest contributing factor?

The overwhelming choice? “Lack of transparency”

“Many of the largest foundations continue to operate behind a veil of secrecy, and to the general public these large accumulations of capital and its movement are incomprehensible. Some have learned the value of communication. Others stonewall public information, and as a matter of policy do not disclose or communicate beyond the bare bones of the legal requirement. It is for them still a matter of it being their money. In this environment, they are vulnerable. Transparency, being open and accessible, and communicating has become a new and unfamiliar imperative for all philanthropic organizations – even for those who do not desire or wish to do so.” (Peter Karoff — Excerpt from “On the Issue of Trust.”)

“It’s interesting that lack of transparency was rated as such a big factor,” Marion Fremont-Smith commented, “because we are really at the threshold of a very different era in transparency. We now have Form 990s available on the Web and it is only because they are accessible that we have had *The Boston Globe* stories, *Chronicle of Philanthropy* news on loans, and Pablo Eisenberg’s study on trustee fees. News reporters are just beginning to mine this information and have not yet quite absorbed what it means, which makes it all the more important that people understand their roles and how they can be effective. It’s the role for the state executives in the Attorneys General’s offices (see Attorney General’s view, page 6), it’s a role for the IRS, and it’s a role for the Independent

Sector, for the Council on Foundations, and for each of us.”

Arrogance and hubris

While few who were polled identified arrogance and hubris as the leading factors in the erosion of public trust, many on-site participants agreed with audience member Ron Gallo, president of the Rhode Island Community Foundation that they are important contributors. “I nominate these because almost everything flows from them, including lack of transparency,” said Gallo. “And it all comes from a lack of distinction between private funds and foundation funds. Foundation assets are no longer really private, but through the tax code are placed in the public trust. There’s not enough reckoning of that.”

Survey results suggest “A kind of arrogance,” manifested in “a lack of awareness” and “unconsciousness” about the need for transparency, is the problem. One person wrote, “As a newcomer to the foundation world I’m dismayed to see how far behind we are in terms of standards, self-examination and transparency.”

Education

Another key factor, insufficient education, was not included as an option in the poll, but was nominated by Dot Ridings. “Time and again we run into folks who never had the proper orientation to just what private philanthropy is all about,” she said. “It’s really shocking. There is an enormous job to be done in terms of education; we see this as our biggest chal-

Single greatest factor...

Transparency lacking
Governance/standards
Donor control in excess
Isolation of funders
Arrogance and hubris
Communication poor
Old boy/girl net. access
Foundation immortality
Trustee compensation

lenge. We can’t do anything about the lawbreakers or cheats, they ought to be caught by the enforcement folks, but we can do something about people who need to learn how to do it right.”

In the follow-up survey, many cited education, e.g., improving access to boards that are “doing it right,” and better educating the media and legal and financial advisors, as well as communication – improving public perceptions about philanthropy – as areas that need action.

Governance

Sharing Ms. Ridings’ concern about the lack of education in the field was dean emeritus of the Sloan School at MIT, Bill Pounds, who added that most people who are invited to join boards seldom ask what the job entails and do not receive effective orientation. “I think there’s been enormous progress made in corporate governance in the last few years—trust fell off first there—and it is growing largely out of people coming together to agree what the job is. To the degree you can generate some guidelines for people as to what their jobs are, as Dot’s organization is doing, you’ll find a sharp increase in performance.”

Judged by the media

While the media is not to blame for the mistrust in the philanthropic sector, it certainly found the channel and turned up the volume. Yet there are surprising parallels between the fields—both of which are charged with serving the public interest—with respect to accountability and transparency.

Nearly half the members of the eight-person panel at TPI's Trust and Transparency forum at one time or another labored in the fourth estate. Former *The Times* of London reporter Peter Goldmark was later publisher of the *International Herald Tribune*, and the Council on Foundations' Dot Ridings describes herself as "a recovering journalist," formerly with Knight Ridder. Alex Jones, a Pulitzer Prize-winning journalist and a host of PBS' *Media Matters*, is director of the Joan Shorenstein Center on the Press, Politics and Public Policy at the John F Kennedy School of Government at Harvard. Here are some of his perspectives on trust, the media and philanthropy.

"The Shorenstein Center's job is to illuminate how the press affects politics and public policy. Today, that is an excruciatingly tangled relationship, but it is fundamental to an understanding of how our society works and how it will evolve."

—Alex Jones, *The Shorenstein Center*
www.ksg.harvard.edu/presspol/

"with power has come scrutiny"

"I think that the issue is not so much one of creeping distrust as it is the enormously increased sense of the power of the institutions we're talking about," said Jones.

"For most people the nonprofit world is looked at as a whole. NGOs of all kinds,

private philanthropy, nonprofit foundations – they're all lumped together and viewed increasingly as the vehicle for doing things the government seems unlikely, unable or unwilling to do. And with that power has come the kind of scrutiny that goes with power. It's much the same as the scrutiny that has been given to the media, as its perceived power has grown. It's very much, as Ronald Reagan put it, trust but verify.

"The real issue for ongoing trust is finding ways to make the functions, the product and the thinking of private philanthropy more accessible to a public that may or may not have a huge interest, but is apparently going to be demanding a lot more information than has been there in the past.

"there is an identification with the idea of philanthropy"

"Communication should not be overlooked because there's a lot of positive

feeling out there. There is an identification with the idea of philanthropy because it's a generous nation, and the impulse to give is something that people experience themselves. They do it at their own discretion; they give to who they want. I think that making the connection between that individual philanthropic impulse and the way these organizations run would make it likely that there would be a place for privacy and a place for direction that is personal in many ways, but still satisfies the public and the media.

"this is how you should judge us"
"I think about Peter Karoff's question [are we really doing the kind of job that deserves trust?]. That is the big rock that your sector worries will get turned over, and I imagine it will because this is interesting stuff. It involves money, people, and, in some respects, feet of clay and hypocrisy. And it's full of good journalistic inquiry topics. The more organizations that can get ahead of it, have the standards, have the vehicles for saying, 'this is how you should judge us,' the better off you're going to be. Because otherwise the people who will be setting the standards [how transparent, how effective, what the mission is] could be your worst critics, people who have axes to grind. I think that's something that is more urgent than perhaps even this group believes."



Illustration: Louis Dunn

An Attorney General's view

Some argue that it is the government—the IRS and the states' attorneys general—who should take the lead in securing and renewing trust in the sector. With adequate resources, the IRS could perform more than a handful of annual audits in the sector and get serious in its enforcement functions.

Former Massachusetts attorney general and gubernatorial candidate Scott Harshbarger has blazed some trails in this state and has definite views on what any law or enforcement agency can accomplish. He now heads the corporate governance practice at Murphy, Hesse, Toomey & Lehane LLP, a law firm specializing in business, litigation, labor, corporate and governmental law. Here is Harshbarger's take on the issue.

Laws alone are not the answer

"The minute we expect the law and law enforcement to solve these problems it's a guaranteed disaster. It won't happen. That doesn't mean regulations shouldn't exist. The law, as Wendell Holmes is wont to say, was supposed to define the minimum ethic. It was supposed to define the framework in which the people could act out their normative values. If the peer pressure, the standards of the sector itself, doesn't provide this, the law alone is never going to do it. It goes back to this issue of secrecy and lack of transparency and accountability. I think people are amazingly tolerant of people who admit mis-

takes, and of people who say what they intend to do and are willing to debate it.

"I equate trust with integrity, with the integrity of the governance process. And that's a system of leadership. The challenge for those that seek this institution of trust, and therefore some freedom from usual accountability of the outside is: how do you measure what you are doing? Ultimately, for me, it is also about democracy. Every institution has some responsibility to the broader community and it's about how are they fulfilling that and who is to hold them accountable. That whole combination, the cluster of things provides the measure of trust in the institution. We have failed in so many parts of our society. And I think, today, that's the great challenge to the nonprofit system. We have failed to articulate the values, the expectations and the 'who' in who is accountable."

Window of opportunity for leadership

"I don't think there's any more of a trust problem in this sector than in others. There's a lot of self-righteousness however, and a willingness to ignore this and view philanthropy as being immune. We saw that to some extent in corporate America. The denial was that there were just a few bad apples. When what really happened was a massive breakdown in self-regulation, a massive ethical breakdown over a period of time because of the lack of accountability.

"The public sector has been held to a much higher standard and a double standard by each of the other sectors. Things happen in the public sector, and I say this a bit defensively, that are treated as corrupt, inept, grounds for censure and indictment that frankly in the other two sectors would be treated at best with silence. So, to some extent we're seeing a leveling of the playing field. You have a reporting phenomena, more reports of abuses, but there's also a window of opportunity if the leadership steps up now."

What's at Stake?

WHAT'S THE WORSE THAT CAN HAPPEN IF PHILANTHROPY FAILS TO ADDRESS THIS ISSUE OF TRUST? THE FORUM'S ON-SITE AND WEB AUDIENCES EXPRESSED THEIR OPINIONS IN A SECOND POLL, RESPONDING TO THE FOLLOWING QUESTION: WHAT ARE THE MOST NEGATIVE FALL-OUTS THAT COULD RESULT FROM LOSS OF TRUST IN PHILANTHROPY?

Both audiences cited "a chilling effect on giving," as their chief worry, the fear being that fewer private foundations might be formed, that there could be less personal giving, and that the role of private foundations and philanthropy in society generally might be diminished as a consequence.

The audience also saw more regulation, and less autonomy and indepen-

dence as troubling potential outcomes. The poll results, together with a call-in observation from Hillary Pearson, President of Philanthropic Foundations Canada, triggered an animated discussion about creating and enforcing standards. Pearson reported that Canadians are watching closely to see how the US philanthropic community responds to this credibility challenge. While surveys show a very strong

Regulating philanthropy

Adequate laws and regulations to police foundations already exist, according to several panelists. But while regulations may not be lacking, enforcement is, they say.

“Standards are wonderful until the rubber meets the road,” said Scott Harshbarger. “But how are you going to make us adhere to them? Where’s the coercion? I don’t want it to be government or regulation, but I really think whatever you propose needs to have some teeth.”

Much of the present abuse in the system stems from the failure of the states and Congress to adequately fund the enforcement programs already in place, according to Marion Fremont-Smith. The IRS Code, for instance, clearly articulates the standards for avoiding abuses such as “excess benefit transactions” and self-dealing. But, the IRS’s enforcement budget has held steady for years, while the number of charities – both operating charities and foundations – has grown markedly. “They admit that they essentially had to stop auditing foundations because they don’t have the staff,” said Smith. “If we tolerate that then it’s open field for those who would take advantage.”

In addition, over the last ten years there has been a relaxing of the standards of behavior for directors and trustees, according to Smith. “The pressure has

been, ‘Oh, we need to protect them from liability or they won’t serve.’ It has meant that in many instances a director is going to be totally protected from any liability. In many states, there can be a full liability shield for all except those who act dishonestly. If you’ve got that state of affairs coupled with inadequate enforcement, why should we assume there will be good behavior? I don’t think we can rely totally on self-regulation.”

But, can the states do the job? Today, only 10 finance and empower the Attorney General’s office to regulate charities (although other states have given that jurisdiction to other agencies). Of those 10, only five do any enforcement to speak of: New York, California, Illinois, Ohio and Massachusetts. Even there, resources are stretched thin. New York employs 20 lawyers to supervise 85,000 charities. Massachusetts has five lawyers for 22,000 charities.

While new laws may be unnecessary to regulate philanthropy today, could the ethical and fairness issues of today be the subject of new federal law tomorrow? The Sarbanes-Oxley Act of 2002, with its new rules, prohibitions and protocols for private corporations, has not only

increased the cost of doing business, but will make it more difficult to recruit qualified board members, according to Peter Karoff. BoardSource and the Independent Sector have issued a brief on the direct implications of the Act for nonprofit organizations.

Fortunately, the sector is not waiting for a Sarbanes-Oxley law of its own, the implications of which could change the face of U.S. philanthropy forever. Self-regulation and standard setting is beginning to occur at many levels and in many places. The Accountability Task Force of the Forum of Regional Associations of Grantmakers, for example, is offering training, teleconferencing and other information to help foundations filing 990-PF returns avoid inadvertent false reporting. In addition, The Council on Foundations this year revised the National Standards for U.S. Community Foundations, established in 2000, providing updated governing instruments and compliance documents. And this is just the beginning. (For other efforts underway, see Resources, page 2.)

Roughly 15 percent of post-forum respondents cited regulatory backlash and its stifling effects as their chief concern.

degree of trust in charities and nonprofits in Canada—where board members receive no compensation—that situation could change, said Person. She also reported that Philanthropic Foundations Canada, an association of Canadian grantmaking institutions, is in the midst of developing a formal set of “Principles and Practices” for its members.

What are the single most negative fall-outs that could result from loss of trust in philanthropy?	
chilling effect on giving	50%
diminished role for philanthropy	20%
more regulation, less autonomy and independence	20%
more reliance on professionals to limit liability, depersonalization	2%
more caution and timidity on the part of donors and foundations	2%
less favorable tax treatment	2%

A Code of Ethics— the answer?

Should every foundation develop a code of ethics, a statement of what Rush Kidder of the Institute for Global Ethics calls a declaration of “obedience to the unenforceable?” The Independent Sector (IS), a Washington D.C. membership coalition of nonprofit and philanthropic organization, says yes, and they recently developed a set of tools to help foundations and nonprofits either develop a code from scratch or review an existing one (www.independentsector.org). The Council on Foundations has long had a set of Recommended Principles and Practices for Effective Grantmaking that it asks its members to subscribe to; it is now in the process of developing more specific guiding principles and governance standards for its community, corporate and family foundation members (www.cof.org). A few Regional Associations have established codes of ethics or principles (Minnesota and Michigan as of this printing) and more are undertaking this task today.

What should a code of ethics include? IS recommends that an organization first develop a Statement of Values as an expression of what an organization believes in. The Code of Ethics (or you might call it a Code of Conduct or Set of Principles) is a statement of how you put your values into practice. Areas to which the code of ethics might apply include:

- Mission
- Governance
- Conflict of interest
- Stewardship of resources
- Openness and disclosure
- Relationship with grant applicants
- Grantmaking procedures
- Legal compliance
- Diversity
- Personal and professional integrity

The process of developing a foundation’s code of ethics may be as or more important than the document itself. IS recommends an inclusive process in which both board and staff are involved in “developing, drafting, adopting, and implementing a statement that fits the organization’s unique characteristics.” Thus a family foundation may have a very different set of values, stakeholders and context than does a community foundation. Both, however, will benefit from a rigorous and deeply reflective process of articulating a statement of ethics.

Influence and Obligation: The Professional Advisor’s role

How skilled are legal and financial advisors in advising clients about philanthropy? Do they understand the technical aspects of charitable giving? Do they steer clients into philanthropy for the wrong reasons? Do they have the skills to ascertain the real motives behind their clients’ giving? Are families being shoehorned into private foundations when they would be better served by a donor advised fund at the local community foundation? What ethical obligations do advisors have to inquire about their clients’ philanthropic interests? Do advisors have an ethical duty to go beyond supporting client philanthropy to actually promoting it?

While not all such questions surfaced at the forum, there was clear interest in the advisor’s role, an interest that TPI has shared for many years.

The advisor’s role in supporting client philanthropy begs two questions: first, are advisors giving the right advice for the



Illustration: Louis Dunn

right reasons, and second, are advisors willing and able even to ask their clients “the philanthropic question,” i.e., the extent and nature of the client’s philanthropic interest.

Regrettably, there is little if any quantitative data on the first issue. Anecdotal evidence suggests that the best and the brightest legal and financial advisors do an excellent job of advising their clients around charitable giving, their choice of giving vehicles, standards of philanthropic behavior, best practices, and the like. But their numbers are woefully small. Most advisors simply have neither the education nor the practical experience to hit that bar of excellence.

But it is the second question – whether advisors are even willing to *ask* “the philanthropic question” – that is more troubling. It is more troubling because in the answer lie legions of clients who make ill-informed wealth planning decisions that do not include philanthropic strategies, clients who are denied the opportunity to explore their philanthropic options, and clients who fail to achieve their potential as social investors.

How do we know this? In a number of studies dating back to 1996, TPI and others have considered if, when, and how advisors engage their clients about charitable giving and philanthropy. Some findings:

- 1996 research conducted by TPI with the Michigan Council on Foundations revealed that of the very few advisors who asked the philanthropic question, most discussed it only in the context of minimizing tax liabilities. Issues such as personal satisfaction, family unity, and values-transference benefits rarely surfaced.
- A 1998 study by Prince & Associates found that most legal advisors have limited knowledge of the technical aspects of planned and charitable giving. Advisors who recognize the limits of their knowledge are far less likely to raise the subject of philanthropy. The study also found that donors who feel they receive good, well-informed advice on planned giving are more likely to make additional gifts.
- National research conducted by TPI in 1999 found that only 50 percent of advisors consistently ask the philan-

What is being done to redress what is at best a missed opportunity, at worst, less than adequate client service?

thropic question, and even fewer consistently engage their clients in discussions about philanthropy that transcend vehicle-based planning. More encouraging, however, it also found many advisors hungry for tools and strategies to assist them in becoming more effective in working with their clients around charitable giving.

What is being done to redress what is at best a missed opportunity, at worst, less than adequate client service? TPI is working with a coalition of advisors, community foundations, and associations of grantmakers to address such needs. We are creating discussion guides for advisors to illustrate both positive and failed conversations about charitable giving. We are collecting stories from advisors about how engaging clients regarding their charitable objectives has enriched their relationship with the client, about how helping clients achieve their charitable objectives has bred client loyalty, about advisors whose failure to counsel their clients effectively around their charitable options caused the client to find new counsel.

We invite interested readers to visit TPI’s Advisors’ Resource Center <http://tpi.org/promoting/advisorresource.htm> and begin by downloading the most recent, comprehensive report on the subject, TPI’s report on its 2002–2003 research for the Packard Foundation: *Doing Well By Doing Good in California – Improving Client Service, Increasing Philanthropic Capital: The California Legal and Financial Advisor’s Role*, TPI, January 2004.

What's a sector to do?

What do you think are some of the important actions to take to rebuild trust in the philanthropic sector?

From the audience and panelists came a range of ideas for renewing trust in philanthropy, summarized below.

Encourage more diversity

Audience member Melinda Marble, executive director of the Paul and Phyllis Fireman Foundation, suggested that foundations should think about creating greater diversity on their boards, in those they look to for advice, and from whom they seek support. “None of us feel we’re part of the old boy, old girl network. And that’s part of the problem. Your old boy network is my group of trusted friends and advisers. One of our key problems is that we tend to stick with our safe and trusted friends who don’t necessarily tell us it’s not okay to pay for your daughter’s wedding expenses by giving yourself a raise, to give an egregious example.”

Twelve percent of survey respondents cited as their major concern lack of board diversity or the problem of unequal access and insider networks. One respondent recommended having “a community voice” on boards; another suggested including an ethicist.

Employ user surveys

There are some imaginative, seldom-used tools that could play an important role as philanthropy struggles to improve its own practice. By way of example, the “user-” or “grantee survey” can help an organization learn how its own users, grantees, even vendors, believe it is performing. “This is something very few foundations do,” said Peter Goldmark. “Why? Because the results might be made public. It’s a very simple tool that most businesses use. We used it once at Rockefeller. It is not nearly as scary as people in the philanthropic field fear, and it is always enlightening.”

Outline governance procedures

One avenue to improvement is to encourage -- indeed “expect” -- individual charities to articulate their governance procedures in their annual reports, says Bill Pounds. Beginning with an internal debate as to the nature of the governance process, the board educates itself at the same time that it educates its constituents. “Then, if you have a widespread number of organizations that outline governance practices, a group like Dot’s [COF] can give them grades. People begin to pull up their socks and develop better guidelines.”

Critique programs with Team A/Team B approach

“The Web audience keeps coming back to how the actual mission and program are being executed, John Abele’s point,” Goldmark reported. “A useful thing for foundations once in a while is to take a Team A/Team B approach to a program critique. Free one of the teams from the burdensome requirement of being balanced and entirely fair. Let that team come in and really rip into the program, not as an absolute answer, but to shed a little light.”

Develop incentives for compliance

“The COF standards are working in the community foundation field not because of punitive measures, but because of the rewards,” said Ridings. “There are things available to community foundations that meet the standards and go through a peer review process that are not available to those who don’t. Valuable incentives. Now we’re trying to figure out what the incentives are elsewhere. We can continue to work for a form of intermediate sanctions, which is important for this field, but we’re also looking for the carrot.”

Reach out at the local level

“We have been struck with the increasing strength of the Regional Associations and the role that they can play in reaching out on a local level,” said Peter Karoff. “It is our sense that it should be a collaborative process, with the Council perhaps doing some heavy lifting on all kinds of levels and the Regional Associations becoming distributors. We also feel there’s a major role for community foundations.”



Illustration: Louis Dunn

Final Reflections...

The final question for many: “What’s going to happen?” “I think that until we take some of these concerns and ideas and convert them into something that actually changes practice, we will not make much progress,” said Bill Pounds

In the end, the overriding view seemed to be that philanthropy should view the light being shed on the sector as an opportunity to mobilize nonprofits and foundations alike to improve their practices. Therein lies the one sure avenue to regaining and guaranteeing the sector’s integrity, and to ensuring its continued effectiveness and service to society in the decades to come.

...On the Issue of Trust

Peter Karoff’s essay, “On the Issue of Trust,” and the response to it from the philanthropic field and other sectors was the impetus for this Tuesdays @TPI forum. Below are some excerpts that point toward a new way of thinking about the task ahead. The full 32-page essay is available at www.tpi.org.

Trust Redux

In most instances, trust is built on a foundation of examined experience. It is earned when appearance and substance are joined, and then communicated. Trust can develop organically, word of mouth, literally so when a farm stand has been selling the best tasting corn in town for years.

Leaders and organizations are deemed trustworthy, or not, when they are held accountable. Accountability is concrete, and not abstract. It fortifies trust. Accountability is the term used to determine if one’s actions live up to the expectations of stakeholders.

Communities of interest, which include both direct and indirect stakeholders expect, require, and even demand, accountability. They demand “the piper has been paid.” Defining who the piper is, and what responsibility is owed to which constituencies, is often complicated, however. Fulfilling expectations is difficult because beliefs and points of view of the various constituencies vary enormously and sometimes conflict. A Community Development Corporation proposal to build a supportive housing project for mentally ill homeless people will engender a wide range of response from direct abutters to the site, donors and state agencies and lenders financing the project, investors purchasing tax credits, the city councilor representing that neighborhood, the mayor of the city, the advocates for the homeless, and those citizens who want to occupy the housing.

Each party at interest, and their leaders, will have their own definition of accountability and that is always the case.

While accountability and other aspects like transparency are critical, at a deeper level, trust revolves around the axis of love, will and power. I do not think we understand the effect of power, and especially the power imbalance inherent in funding relationships, on the philanthropic process. I also have observed that the elusive element called ‘will’ is more central to impact and result than almost anything else. While we may not love, nor need to love, those who we trust, committing ourselves, and our affairs, our problems, our health and well-being, or our security into the hands of another is a kind of relationship that comes close.

The 360° Mission – reinventing mission

It is the mission of a philanthropic organization that lays out the relationship between the manifest destiny of the organization and the public space it inhabits. Mission in a nonprofit or philanthropic organization drives everything, and I think we have to reinvent it from what might be called a 360° perspective.

A 360° mission would disaggregate organizational self-interest from the public interest. A 360° mission would have less emphasis on what “I” – the foundation, donor, nonprofit organization – want to do, and more emphasis on the broadest possible interpretation of the issue for the people being served, on what works for the individual, for the community, for society. A 360° review of mission and operating procedures would reach beyond the traditional, especially into the relevant gray areas of self-interest and conflicts of interest. Some of the questions one might ask are these:

Have we carefully thought through the implications of our actions on others, including possible unintended consequences?

Do we avoid simplistic solutions to complex problems, issues, and social systems?

If there is resistance to what we want to do, is there merit in that resistance?

Are we respectful and sensitive to other cultures and beliefs different from our own?

Are we sufficiently on guard against hubris and excessive personal and organizational ambitions?

Are we absolutely committed to integrity, and to avoiding conflicts of interest, including between the personal and family relationships of both board and staff?

And perhaps overarching all – is our mission the right one, and do our actions at all times live up to that mission?

TPI

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INITIATIVES

A NEWSLETTER ON STRATEGIC PHILANTHROPY

Save the Date!

The next Tuesdays @TPI forum, "The Meaning of Philanthropic Leadership," will be held on June 15, 2004. Peter Karoff will moderate a panel and Web discussion on how philanthropy can enable powerful visions to become practical strategies for leadership. Please visit www.tpi.org for information about how you can participate.

A video of the Tuesdays@TPI forum, "Public Policy, Politics and Philanthropy," can be accessed on the WGBH Forum site <http://forum.wgbh.org/wgbh>. A special issue of Initiatives on this topic and a transcript of the event are available to read or download on TPI's Web site, www.tpi.org.

Just Money – A Critique of Contemporary American Philanthropy, edited by Peter Karoff, is being published this month. Ten of philanthropy's leaders join Peter in sharing unique perspectives: Michele Courton Brown, Dennis Collins, Joel Fleishman, David Ford, Peter Goldmark, Anna Faith Jones, Scott McVay, Steven Schroeder, M.D., Bruce Sievers and Adele Simmons. Nonprofits wishing to order this book at quantity discounts should check TPI's site for details, soon available.

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