

# *Introduction*



**I**F YOU ARE READING THIS *GUIDE*, perhaps you have experienced a “wealth event”—a sudden increase in your net worth from an IPO, inheritance, or the like—or perhaps you have been accumulating wealth during your working years. You may have been volunteering your time, including serving on a nonprofit board, and you have likely been responding to requests to give to your alma mater, your children’s schools, religious institutions, and organizations that you or your friends care about. Perhaps, on your own or with the help of your financial advisor, you have started exploring a few “giving vehicles,” such as donor advised funds or foundations.



You may be at an inflection point—a moment of reflection when you realize you would like to be more purposeful in your charitable giving. With more money and possibly time, you’re feeling the mounting pressure of requests. At the same time, you would like to improve your philanthropic impact: you really want to do it well. Though not professionally trained in philanthropy, you aspire to have a professional level of impact in the areas you care about.

This *Guide* is written for donors who are interested in significant and sustained giving. It was born out of our experience at the Stanford Center on Philanthropy and Civil Society in helping donors improve their philanthropic effectiveness. Although much of the *Guide* is relevant to philanthropy across the globe, it is focused on donors making gifts to US-registered charities.

When we use the term “effective philanthropy,” we refer to what’s most likely to achieve your objectives while avoiding unintended harm to others. Effective philanthropy has these essential characteristics:

- No matter how broad the realm of your philanthropic interests may be, you make gifts in few enough areas that you can learn about each of them reasonably well.
- You have a clear sense of the social or environmental goals that you wish to accomplish through a gift or set of gifts.
- You make gifts to organizations in which you have reasonable confidence that they can help achieve your goals—based on their track records, strategies (theories of change) (see **Chapter 6: Theory of Change, Monitoring, and Evaluation**) management, and operations.
- When your goals include benefiting individuals or communities, you ensure that the organizations you support have listened attentively to your mutual beneficiaries to ascertain their needs—and you often can do this yourself.
- The terms of your gifts are designed to achieve your and the grantee’s shared goals while respecting the organization’s autonomy and its need to thrive. When the organization’s activities demonstrate alignment with your goals, you presumptively make multi-year unrestricted gifts for general operating support. When you direct gifts for a particular project, you include reasonable funds for necessary indirect costs, or overhead.
- You engage personally with organizations to the extent that it is useful for your due diligence and monitoring and to the organization—but not just because it gives you pleasure. (You can often achieve your goals effectively just by writing a check.)

- You monitor each organization’s success in achieving your shared goals and consider other “competitive” organizations before renewing your gift.
- Whether or not your particular philanthropic goals include social justice, your grantmaking embodies the principles of diversity, equity, and inclusion (DEI) (see **Chapter 6** for more about DEI).

This is by no means an exhaustive list of effective philanthropic practices, but it’s a good starting place and we will suggest others in the pages to come.

The *Guide* is inevitably donor-centric, because no matter how much you delegate grantmaking decisions to communities, grantees, beneficiaries, and other stakeholders, you cannot avoid choosing which communities or individuals to benefit and how to benefit them. There are good arguments for alleviating global poverty, for mitigating the risks of climate change and pandemics, and for meeting the needs of your own community. There are good arguments for various service-delivery strategies, for policy advocacy and systems change, and for putting cash directly in the hands of beneficiaries and letting them decide how to spend it.

The donors we have worked with pursue a virtually infinite number of goals, motivated by their experiences; by religious, political, and moral beliefs; or by their sense of where the need is the greatest. We do not suggest that you pursue certain goals over others but rather aim to help you clarify your goals and effectively deploy your financial and other resources to achieve them. By the same token, we do not recommend particular strategies. We privilege neither short-term strategies with more certain results nor long-shot, risky strategies. Rather, we provide a framework to help you decide what is most effective for you in different situations.

We understand that philanthropy can be a complex and daunting undertaking. You might be wondering where to start, asking questions such as:

- How can I move from giving reactively—in response to requests from friends, business associates, and organizations—to determining my own philanthropic priorities?
- How do I gain the confidence to make gifts of \$100,000 or more to individual organizations?
- How can I find the right organizations to fund, and how should I approach them purposefully yet respectfully?
- How do I say no?
- How will I know if I'm making a difference?
- How can I avoid failures?

(The answer to the last question is that if you're doing valuable philanthropy, you can't avoid failures—but you can learn from them and improve your work.)

Our aim for this book is to simplify the components of effective philanthropy. The *Guide* has two major parts. Part One lays out a series of personal considerations that will help shape your philanthropic strategy. Part Two delves into the tactical practices of philanthropy to help you deploy your resources most effectively.

## **Part One: Developing Your Plan for Giving**

**Chapter 1** advises on how you can focus your philanthropy on a manageable number of areas, based on your and (if you wish) your family's values and interests. **Chapter 2** considers how you might involve family members in your philanthropy. Because you may wish to consult with and learn from others beyond your family, **Chapter 3** considers who else might be of assistance. **Chapter 4** provides an overview of the various vehicles, or structures, through which you can make charitable donations.

Recognizing that much philanthropy can be understood as solving social or environmental problems, **Chapter 5** examines different approaches that nonprofit organizations use to solve these problems. A particular strategy that an organization employs is termed its *theory of change*, which we explain in **Chapter 6**. This is one of the few technical concepts in the *Guide*.

## Part Two: Implementing Your Plan

Part Two begins with your search for and assessment of potential grantees—which are, respectively, the topics of **Chapters 7 and 8**. Now you’re almost ready to support organizations. **Chapter 9** asks when and how you might develop a relationship with a particular organization, and **Chapter 10** focuses on the nitty-gritty of making gifts that advance your shared interests. Since you are seldom alone as a funder of an organization or cause, **Chapter 11** explores the ways you can collaborate with others to achieve shared goals.

The majority of the *Guide* focuses on donations to nonprofit organizations. **Chapter 12**, however, explores how you might also achieve your goals by making socially or environmentally motivated investments—in social enterprises and other for-profit firms.

We conclude the *Guide* by summarizing some contemporary thinking about philanthropy and nonprofit strategies and offering suggestions for how you can build your philanthropic practice over time.

Like many other sectors, philanthropy is replete with hyperbolic metaphors and jargon. We’ve all heard about philanthropy that is described as “innovative,” “disruptive,” “transformational,” and “catalytic” and less about what we call “humble” philanthropy—which elevates the knowledge and needs of grantees, their end beneficiaries, and others who have been in the trenches working to tackle the same problems we are now beginning to address. This *Guide* counsels an approach that combines ambition with humility.

C.P. Cavafy begins his poem about Odysseus' journey:

*As you set out for Ithaka  
hope your road is a long one,  
full of adventure, full of discovery.*

We wish the same for you—an ever-changing journey filled with surprises along the way. No one can be expected to “get it right” from the start—or, perhaps, ever. But we hope that with the help of this *Guide*, you can develop your own impact-driven philanthropic practice.

May you have fair winds and following seas!

—*The Stanford PACS Effective Philanthropy Learning Initiative Team*

## **Impact-Driven Philanthropy (IDP)**

Throughout this guide, we provide examples of IDP principles and practices that encapsulate our recommendations. In 2015, when Jeff and Tricia Raikes of the Raikes Foundation founded the Impact-Driven Philanthropy Collaborative “to help more donors give more dollars to do the most good,” they offered this definition<sup>1</sup>:

Impact-Driven Philanthropy is the practice of strategically using our time, talents, and resources to influence meaningful, measurable change on issues and in communities. Guided by clear goals and strong values, impact-driven philanthropists have a passion for addressing problems and a commitment to partnering with the people closest to the problems we aim to solve. While each person’s journey is different, certain core beliefs and practices can guide us to discover the strategies and solutions that will allow us to do the most good for the causes we care about<sup>2</sup>.

Stanford PACS has participated in the IDP Collaborative since its inception.

## For Further Reading

We refer to useful readings throughout the *Guide*. If you would like to go deeper into the general topics of this book, we recommend:

- Laura Arrillaga-Andreessen, *Giving 2.0* (2011)
- Paul Brest and Hal Harvey, *Money Well Spent: A Strategic Plan for Smart Philanthropy* (2nd ed. 2018)
- Phil Buchanan, *Giving Done Right: Effective Philanthropy and Making Every Dollar Count* (2019)

## Who We Are

The Stanford Effective Philanthropy Learning Initiative (EPLI) is an interdisciplinary team within Stanford's Center on Philanthropy and Civil Society (Stanford PACS). Through teaching, writing, and conducting applied research at the intersection of strategic philanthropy, the behavioral sciences, and design thinking, Stanford EPLI aims to help donors make more informed, outcome-focused decisions and thereby increase their philanthropic impact.

Stanford PACS is a research center that develops and shares knowledge to improve philanthropy, strengthen civil society, and effect social change. Stanford PACS connects students, scholars, and practitioners with three primary goals: building the pipeline of scholars in the field, increasing practice-informing research on philanthropy and social change, and improving the practice and effectiveness of philanthropy and social innovation. Stanford PACS also publishes the preeminent *Stanford Social Innovation Review (SSIR)*.

## Authorship & Acknowledgments

This book is a collaborative effort by faculty and staff at Stanford PACS' Effective Philanthropy Learning Initiative (EPLI):

- Erinn Andrews is the director of philanthropy research and education for EPLI at Stanford PACS. She has long been a proponent and practitioner of effective philanthropy. She spent years researching and developing metrics and methodologies to evaluate nonprofit outcomes and impact.
- Paul Brest is former dean and professor emeritus (active) at Stanford Law School and faculty director of EPLI. He teaches and writes about philanthropic and nonprofit strategy and impact investing. He is co-author of *Money Well Spent: A Strategic Plan for Smart Philanthropy* (2nd ed. 2018).
- Adi Greif was a fellow at EPLI. She is a monitoring, evaluation, and learning consultant. She helped draft chapters and led development of the vetting chapter.
- Davey Kim is the program manager at EPLI. Having formerly worked in the global development sector with a specialization in leadership development, he assisted with *Guide* content and user testing.
- Nadia Roumani is a co-founder of EPLI. She is an expert on integrating design thinking, systems thinking, and strategic planning, and she uses these methods to support philanthropists and nonprofit leaders to increase their effectiveness.
- Nina Sun was a senior fellow at EPLI. She is a human rights lawyer and advocate who led the development of much of the *Guide's* content.
- Additional EPLI Fellows who contributed to this project include Sandhini Agarwal, Celina Artusi, Hanna Meropol, and Gillian Raikes. Thanks are due to Nicholas Kristof Branigan for his contributions.

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## Contact Us

We welcome and encourage readers to contact us with feedback, suggestions, and personal stories from your own philanthropic journey.

Submit feedback at:

**[pacscenter.stanford.edu/donorguide](https://pacscenter.stanford.edu/donorguide)**

Write to or visit us at:

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THE STANFORD PACS

# GUIDE

TO EFFECTIVE PHILANTHROPY

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