

CHAPTER 5

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***Understanding Problems,  
Their Causes, and  
Approaches to Solutions***



**H**AVING ARTICULATED A FOCUS AREA, you may be tempted to jump right into finding organizations that operate in that space. However, nonprofit organizations may deploy very different approaches to solving social problems, and it's helpful to begin with a good understanding of the problem you're trying to solve through your philanthropy. This chapter covers two vital questions:

- How can I define the problem that I'm trying to solve to generate a good range of solutions?
- What types of approaches can I fund that might solve the problem?

#### **Impact-Driven Philanthropy**

**practice:** We understand the systems in which the causes are embedded and make intentional choices about the approaches we fund, such as supporting direct services, advocacy, and/or research.

## **Defining the Problem**

**Q. I know that I need to understand a problem before I can solve it, but isn't this something I can leave to the organizations I fund, since they have expertise in their areas?**

A. Each organization has its own idea of what the problem is and how to solve it. It's like the Indian parable of the six blind men describing an elephant, in which each man sees a different part of the animal. Before you begin picking organizations to support, it's a good idea to get your own sense of the problem you want to solve, its likely causes, and different approaches to solving it.

For example, consider organizations trying to halt the rise of child obesity. They might undertake any of the following:

- teach children about the caloric content of the foods they eat
- provide exercise facilities
- advocate for schools to stop serving sugary beverages
- work to ensure that low-income families have access to affordable fresh vegetables and fruit

Some of these approaches may be more effective than others, and some may fit your tolerance for risk or other personal preferences better than others.

As a second example, consider homelessness in some US cities. Ways to tackle this problem may include on-the-street health services, soup kitchens, shelters, permanent supportive housing, and working to prevent the eviction of families at risk of becoming homeless. You can't choose among these approaches without understanding the causes of the problem. Permanent supportive housing is an ideal solution for adults who are on the margin of productivity—but not necessarily the solution for runaway youth or people suffering from serious mental health problems.

### ACTIVITY DEVELOP YOUR PROBLEM STATEMENT

As a guide to understanding the problem you're trying to solve, you may develop a *problem statement* that identifies the groups you're trying to help and articulates the core of the problem. For example, a problem statement for helping a particular homeless population might be: "Veterans, many of whom have served our nation in war zones, suffer the indignity and deprivations of being homeless and on the streets."

Reflect on a problem you're trying to solve in your focus area, and write down the problem statement. In creating your statement, consider:

- Is your problem statement empirically accurate?
- Does it identify its intended beneficiaries?
- Does it describe what really concerns you about the problem?

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## Approaches

### **Q. How do I learn about various approaches to solving the problems that concern me?**

A. A good starting place is to conduct Internet research or talk to experts (as we will discuss in **Chapters 7 and 8** on finding and vetting organizations). The goal is not to know the answers for sure but rather to know what questions to ask organizations and to learn enough to prioritize some organizations over others.

First, consider which nonprofit approaches are likely to be effective at solving the problem you've identified. Second, consider which of them best fit your personal preferences in terms of factors such as immediacy, visibility, and riskiness.

## **Q. What types of approaches do philanthropists and nonprofit organizations take?**

A. Nonprofit approaches fall into five broad categories, which sometimes overlap:

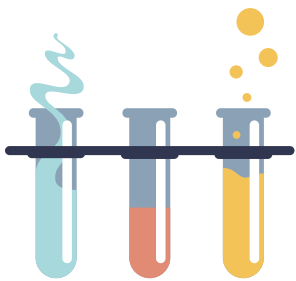
- providing direct services
- supporting research and the development of knowledge
- advocating to change government or corporate policies
- changing societal mindsets and systems
- funding prizes

## **Q. What are examples of direct services?**



A. Providing direct services to individuals (or animals) is the core work of organizations that most people think of as charities: providing food and shelter for the homeless, treating drug addiction, and so on. Scholarships at universities, support for symphonies and museums, and training and capacity-building programs for teachers and nonprofit staff also fit in this category.

## **Q. What are examples of supporting research and knowledge development?**



A. Universities don't only educate students. They, and many other institutions, engage in research and develop and preserve knowledge. Philanthropy has been a crucial element of support for all these endeavors, from huge telescopes to cancer research to books on Renaissance history.

## Q. What about advocating for policy change?



A. Consider the advocacy to reduce over-incarceration by a coalition of foundations across the political spectrum, leading to the bipartisan First Step Act; or advocacy to mitigate climate change; or the advocacy efforts for cage-free eggs aimed at corporations, consumers, and governments.

## Q. What about changing societal mindsets and systems?



A. In the years following World War II, philanthropists supported the work of Friedrich Hayek, Milton Friedman, and other scholars, who developed and disseminated the concepts of neoliberalism, which became and remains the dominant paradigm of Western societies and economies.

### DONOR STORY

#### How to Impact Public Policy as a Donor

—*Frayda Levy*<sup>14</sup>

I believe donors can make a positive impact on public policy, though it's a multi-part process. You have to get the right people elected, and because of that I'm on the board of Club for Growth. You need to elect people who believe in and understand economic liberty, and have a willingness to fight.

Then you have to engage citizens to support and press legislators. That's why I'm involved in Americans for Prosperity. When people willing to stick their necks out for liberty get to Capitol Hill, they need support.

And for the long haul, you need to shape culture. Unless you have people who understand the value of economic liberty, and the dangers from losing it, you're not going to get citizens actively involved. So you have to create a culture that educates and motivates people.

The liberty movement hasn't really had much support from culture-purveying institutions. Yet many people hold our views anyway. Can you imagine if we could engage culture well, how many more people we could bring along?

Adapted from an interview originally conducted by *Philanthropy* magazine (PhilMag.com) for their Fall, 2018 issue.

(Today, some foundations are supporting the development of alternative paradigms.) More recently, philanthropists supported the gay rights movement, which both led to a change in mindsets and in the deeply embedded system of marriage and its attendant rights.

These different approaches don't reflect legal distinctions. They're just helpful ways of thinking about the different sorts of activities that nonprofits might perform. And sometimes a single organization will undertake several such strategies. Consider Planned Parenthood, which both provides reproductive health services and advocates for access to it. Or consider a university, which directly serves students and also conducts research.

## DEFINITIONS



**Advocacy** refers to a broad range of activities that are meant to influence public opinion and public policy. Examples are research, public awareness campaigns, strategic litigation, community organizing, and lobbying.



**Lobbying** is a type of advocacy aimed at influencing a specific piece of legislation.

### **Q. Can policy change be pursued by organizations with 501(c)(3) status, to which my contributions are tax-deductible?**

A. As mentioned in **Chapter 10 on Making Gifts**, the Internal Revenue Code restricts but does not prohibit all lobbying by 501(c)(3) organizations, and they can also do policy work that does not involve lobbying—for example, educating citizens about the consequences of particular policies. But effective policy change sometimes requires significant engagement in conventional politics. In those cases, you must forgo the tax deduction and give to groups such as social welfare organizations covered by section

501(c)(4) and other provisions of the tax code or give directly to political campaigns.

**Q. Do I need to worry about whether a 501(c)(3) organization is going beyond the permissible limits of lobbying?**

A. If you are giving to a 501(c)(3) organization as an individual or through a donor advised fund (DAF), you can let the organization worry about what advocacy is and isn't permissible. If you're giving through a private foundation, its lawyer should vet grants to ensure that they do not violate federal or state restrictions on lobbying.

**Q What about prizes?**

A. *Inducement prizes* typically are intended to increase knowledge. Rather than, say, fund the development of a particular technology, you could offer a prize for whomever comes up with the best technological solution to a problem. For example, in 2010, the X Prize Foundation launched the Oil Cleanup XCHALLENGE, which aimed to spur innovative solutions for how to rapidly and efficiently clean up oil spills from ocean surfaces. Contestants were required to develop systems for oil cleanup with an oil recovery rate of over 2,500 gallons per minute (GPM) and an oil recovery efficiency of over 70%. The winner, Elastec/American Marine, designed a system to recover 4,670 GPM and tripled the industry's previous oil recovery rate.<sup>15</sup>

Prizes that *recognize achievements* may be intended to stimulate knowledge development or movement building, or just to honor individuals for their achievement. The Man Booker Prize for literature, Goldman Environmental Prize, and Nobel prizes are well known examples.

We should note that many recognition prizes awarded by schools and other institutions seem motivated mainly by the donors' desire for recognition, and the hassle of administering them is often greater than their social benefits.



## Choosing Among Approaches

### Q. How can I choose among these various approaches?

A. The fundamental question is which approaches will achieve your philanthropic objectives most effectively. Let's use as an example a contemporary issue that has brought together philanthropists from across the political spectrum: concern about mass incarceration in the United States. It's a problem for people who spend much of their lives in prison, and a problem for their families and communities—and these burdens fall disproportionately on people of color. It's also a problem for taxpayers, who are paying for huge government expenditures on prisons. The *causes* of the problem include:

- **legislation** that criminalizes and sets harsh penalties for certain conduct, including legislation enacting the “three-strikes” rule, which can imprison someone for life for three relatively minor offenses
- **excessive zeal by prosecutors**, most of whom are elected officials and campaign for re-election on a platform based on being tough on crime—meaning long sentences
- **bail and parole practices**, including the practice of using proprietary artificial intelligence algorithms that are hidden from the defense
- the shortage of successful **reentry programs** for ex-offenders, leading to a high level of recidivism
- **social and economic conditions**, such as the lack of a job or place to live

These different causes offer different perspectives on the problem, which, in turn, imply different approaches to solving it—ranging from policy advocacy and systems change to service delivery to non-tax-exempt political activities.

**Q. I've heard it said that some approaches get at the “root causes” of problems, while others only address “symptoms,” with the implication that it's better to fund solutions that get at root causes. Do you agree?**

A. This is seldom a helpful distinction. Consider the problem of over-incarceration just mentioned. Possible root causes include the legacy of discrimination against people of color and current prejudice. But the most effective solutions, even for the long run, may lie in strategies that respond to more proximate causes. To use another example, the root cause of malaria is a plasmodium parasite, but no one has seriously considered eliminating the parasite entirely (as has almost been done with the smallpox virus). Rather, effective strategies include providing people with insecticide-treated bed nets, and research to develop a vaccine against malaria. And for one more example, the causes of homelessness differ for different populations—for example, families that suffer from housing insecurity because of economic conditions and veterans with PTSD and other disabilities. For the latter group, perhaps the root cause is war.

**Q. OK, but suppose that several approaches seem equally promising. How do I choose among them?**

A. Begin by learning which approaches have been tried and how they have worked out. Beyond this, consider how they mesh with your preferred “style” of philanthropy and risk tolerance. In *Money Well Spent*, Paul Brest and Hal Harvey mention several personal considerations that philanthropists might take into account. Some prefer that results can be achieved visibly in the near term without much risk of failure; they want to know in advance that they will improve some people's daily lives. Others are willing to take big risks to bring about large-scale change. Along similar lines, some philanthropists prefer to support strategies that are clear and readily graspable, whereas others are comfortable with indirect and complex processes. Some philanthropists would like their particular contributions to be recognized. Others support work on such a

large scale or with so many actors that they will seldom know whether any one person’s contribution made a difference.

As an example, if you have an activist mindset, you might support grassroots movements against incarceration and mobilize against prosecutors running for election on “tough on crime” platforms. These are risky long shots and you may make enemies, but such efforts can have big consequences.

Or you might prefer approaches that have clearer and more measurable outcomes, such as programs to prevent recidivism. Or you might believe that we need to understand more about what’s causing over-incarceration and about the effects on crime if incarceration is reduced—and therefore would be willing to put money into research.

## Approaches Chart

	DIRECT SERVICE PROVISION	RESEARCH AND KNOWLEDGE DEVELOPMENT	POLICY, MINDSET, AND SYSTEMS CHANGE	PRIZES
Likelihood of Success	High	Varies, depending on project scope	Varies, depending on project scope	Depends on how high a bar
Timeline	Short term	Long term	Long term	Typically several years
Visibility of Results	High	Seldom	High	High
Systemic Change	No	Not usually	Yes	Not usually

**ACTIVITY PICK AN APPROACH**

Choose one cause of particular interest to you.

1. Define the problem you are trying to solve and its causes.

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2. What approaches seem effective at solving the problem?

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3. Besides effectiveness, which of these factors are the most important to you?

The least important?

Certainty of success

Timeline

Visibility of result

Systemic change

Other:

4. Which approaches seem to best align with your preferences?

Direct Services

Research and Knowledge Development

Policy, Mindset, and Systems Change

Prizes

## ***Understanding Problems, Their Causes, and Approaches to Solutions Takeaways***

- ➔ Before you pick organizations to support, it's important to understand the problem you wish to solve and its possible causes.
- ➔ There are five types of approaches to solutions:
  - direct services
  - research and the development of knowledge
  - changing government or corporate policies
  - changing societal mindset and systems
  - funding prizes
- ➔ When choosing among approaches, ask which of them will achieve your philanthropic objectives effectively. Also reflect on how your personal preferences concerning time, risk, and other factors may influence which approaches work best for you.

THE STANFORD PACS

# GUIDE

TO EFFECTIVE PHILANTHROPY

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