

Creative Philanthropy

Towards a New Philanthropy in the 21st Century

Basel
April 2008

Helmut Anheier &
Diana Leat

CSI Heidelberg

Foundation Renaissance

There is renewed interest in philanthropic foundations in countries as different as the United States, the UK, Australia, Japan, Italy, Germany, Sweden and Turkey or Brazil.

Heightened expectations

- Against this growth, important to explore the real potential of foundations and other philanthropic institutions.
- However, foundations are not well-understood by general public and politicians.
- Public awareness gap.
- Growth only relative, but decline in relation to other fields (nonprofits, state, corporations).

Low key malaise ...

- Disquiet not about payout rates or other issues
- But about: awareness between *what could be achieved* and *what is being achieved*, and sense that foundations are somehow not at full potential
- Hearings; need for 'positive message' or: **New Models?**

Models and approaches

- From charity to philanthropy (early 20th century)
 - Charity: fill gaps in government provision
 - Philanthropy: 'scientific approach' to social problem solving; attacking root causes
- From (now) conventional philanthropy to strategic philanthropy (late 20th century)
 - Process oriented, evaluation and impact measurement
 - Business models
- From strategic philanthropy to Creative Philanthropy (early 21st century)

Creative Philanthropy

- By this we mean the unique capacity of foundations to spot innovative solutions to problems, to jump-start and then help sustain the innovation process, and to help disseminate and implement results.

Researching Creative Philanthropy

- **Better understanding of what innovation and creativity means in context of philanthropy**
- **Looked at hundreds of foundations, experts**
- **Vignettes** (Myer Foundation, Ford Foundation, Tides Foundation, Princess The Diana, Princess of Wales Memorial Fund)
- **Cases studies**

The Argument

1. Much of what endowed foundations do could be done, and perhaps done equally well, by other nonprofit organizations, and even public agencies and businesses. Endowed foundations should therefore concentrate on doing those things only they have the potential to do better than other institutions.
2. The only justification for independence from government and market accountability (as distinct from transparency) is that foundations are unconstrained by short-term market forces and political considerations.

The Argument cont.

3. The signature characteristic of foundations—their specific capacity to be creative and innovate—is based on their freedom from the constraints of both the market and the state.
4. However, this signature characteristic is accompanied by a 'weak signals / weak incentives syndrome.'
5. To realize their signature characteristic and compensate for the weak signals / weak incentive syndrome, foundations require a proactive, strategic approach.

The Argument, cont.

6. In such cases, creative philanthropy provides a space for alternative thinking, voices and practices, in other words: innovation.
7. Creative philanthropy brings about pluralism *and* increases problem-solving capacity of modern society

Creative Philanthropy in Action

- In the US, the Rosenberg Foundation, which over a 10-year period achieved major reforms in the child support system in California;
- The Annie E. Casey Foundation, which has, among other things, created and vigorously promoted the benchmarks by which states may measure their treatment of children in its annual KIDSCOUNT data book;
- The Wallace Foundation which has re-framed the debate on the principals shortage as a problem of poor working conditions, and stimulated considerable interest in improving the design and targeting of efforts to expand arts participation.

Creative Philanthropy in Action

- the Carnegie UK Trust that with a budget of a tiny £1.4 million has, among other things, radically transformed the way in which ageing is seen in the UK and was a major factor in the creation of a government programme entitled Better Government for Older People
- the Joseph Rowntree Charitable Trust, a key player in achieving the passage of a Freedom of Information Act in the UK and, behind the scenes, in the peace talks in Northern Ireland.
- The VWT for long-terms coalition building in addressing family violence and community problems

Creative Philanthropy in Action

- The Pew Charitable Trusts which have been major players in saving more than 100 million acres of old-growth forest and wilderness areas in the US;
- The John S. and James L. Knight Foundation, which operates in the intersection of media, politics and society;

We also examined

- The 'conservative' foundations
- The recipients of the Robert W. Scrivener Award for Creative Philanthropy

What we found ...

Characteristics and themes of Creative Philanthropy ...

First: Innovation

Successful innovations typically show a distinctive set of characteristics:

- uncertainty
- knowledge-intensity
- controversy
- reaching across established boundaries
- long-term commitment
- 'show and tell,' active dissemination

Common themes about creative philanthropy

- Beyond money
- Knowledge-driven
- Long-term, systemic view
- Involving partners, 'networked'
- Taking risks, leadership
- Regular review, diverse viewpoints
- Multiple strategies aimed at sustainability

Two Dimensions

- **Complexity** refers both to the number of elements in the organizational task environment and to their heterogeneity in terms of demands and expectations. If a foundation has few task elements and all are fairly similar, such a homogeneous task environment would be less complex than a situation with many more elements that vary in their demands.
- **Dynamism** refers to the rate and predictability of change of the elements. If the elements change rarely or slowly and are relatively predictable, then the task environment is stable; however, if they change often, fast and in unpredictable ways, then the task environment is unstable or volatile.

Complexity and Dynamism

	High Complexity	Low Complexity
High Dynamism	High uncertainty Type I Creative foundation	Mixed Type III Ad honew scientific philanthropy
Dynamism Low	Mixed Type II Relay philanthropy	Low uncertainty Type IV Traditional service philanthropy

Type II – IV Foundations

- In low uncertainty scenarios, a small number of relatively homogeneous elements remain the same over an extended period of time. The funeral home industry, car registration, day-care centers, and elementary schools are examples of such situations, but also the conventional Type IV foundations
- Task environments with a large number of heterogeneous elements and low dynamism lead to medium-low uncertainty. The insurance industry, savings and loans associations, higher education, and culture and the arts are prominent examples. Similarly, moderately high uncertainty exists in cases where a small number of homogeneous elements change often and unpredictably, as with the fashion industry, catering, and many social and health care services. Type II and Type III foundations, i.e., relay philanthropy and venture philanthropy, fit into this category.

Type I Foundation

- Large numbers of heterogeneous elements with high dynamism constitute high uncertainty task environments. Software and internet-based companies are prime examples, as are disaster relief and humanitarian assistance programs. Our argument is that foundations are uniquely positioned to operate as Type I organizations, and that they can seek out heterogeneous and dynamic environments at lower risks than other organizational forms.

More generalizations

What could be the future role of foundations?

When are they needed most?

...four conditions suggest themselves based on our case studies...

Need

A need is identified that for whatever reason is beyond the reach or interest of other actors, and where foundations can provide or leverage resources commensurate with the problem at hand

→ Foundations as entrepreneurs

Coalitions

An existing or potential coalition of individuals and organizations is pinpointed to implement a program; networked across sectors, regions, etc

→ Foundations as institution builders

Goals and Risks

Foundations set clear goals and benchmarks when necessary and easily agreed upon. But, they also need to be willing to take risks in supporting medium to long-term efforts where there is great uncertainty about likely results.

→ Foundations as risk-takers and risk-absorbers

Broker

Emphasis on the collection, analysis and sharing of information/knowledge across different project sites and sectors. Foundations can assume the role of “honest broker” among the different parties by supplying information and offering knowledge as well as financial resources.

→ **Foundations as mediators**

Foundations will be the more relevant the more they act as...

- Social Entrepreneurs
- Institution-builders
- Risk-absorbers
- Mediators

In Conclusion

- Foundations are neither poor imitations of government nor the chosen tools for quick fixes. They are something far more important: foundations are the potential powerhouses of creative thinking and working that society needs. The approach proposed here—creative philanthropy—could become an important step towards that promise.

The book...

Helmut Anheier and Diana Leat

**Creative Philanthropy:
Toward a New Philanthropy for the 21st
Century**

London and New York: Routledge,
2006

Thank you for listening ...

... *Comments welcome* ...

Anheier@spa.ucla.edu