

An Insider's View of Public and Private Philanthropy

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In the past dozen years, I have enjoyed the extraordinary privilege of leading two significant grant-making programs that, in total, have awarded more than \$850 million to grantees and beneficiaries. My responsibilities as director of endowment and foundations and vice president of the Jewish Community Federation of Cleveland (1998–2006) and now as the founding executive director of the Jim Joseph Foundation have required me to develop complementary and yet, ultimately distinctive skill sets. I offer reflections here on my experiences to illuminate differences between private and federation philanthropy. I also describe seven activities we can undertake in working together to strengthen and improve contemporary American Jewish philanthropy.

When I discuss private foundations in this article, I am referring expressly to those that are governed actively by a board of directors. I recognize, of course, that much of Jewish private philanthropy is carried out by philanthropists whose foundations operate without a board or whose advisors do not serve officially in a board capacity nor are instrumentally involved in grant-making decisions. My focus here is on those private foundations whose board involvement in grant making is fundamental to their philanthropy.¹

FEDERATION GRANT MAKING

Of course the most obvious characteristic of federations is their history of successful fundraising. In this particular article, however, I am addressing the aspect of federations that has to do with allocating funds raised—through their endowment fund, supporting organizations, special purpose and donor-advised funds, as well as the disbursement of annual campaign dollars.

Being primarily in the business of fundraising as federations are (some would argue community building is actually paramount) fosters certain organizational imperatives. Much of the human and technological architecture of the federation looks like that of other fundraising organizations and institutional development offices. Annual campaign goals and other fundraising money metrics create a culture pervaded by a relentless pursuit of resources.

Federations are membership organizations. The obligation of the federation to its members is to support those local Jewish institutions that serve family and

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¹I do not dispute Gary Tobin's (1999) assertion that "Jewish foundations today tend to be more of an extension of the personality or legacy of the principal than they are institutions accountable to the Jewish community. In essence, Jewish foundations are private institutions that operate with little or no public scrutiny or accountability." However, that foundations are private institutions does not alter the way in which work is structured at board-governed private foundations. Furthermore, my belief is that systematically engaging in the seven activities I describe later in this article will help make for a higher level of accountability in Jewish philanthropy.

friends of the member donors. Over the years, federations have gravitated toward a program of entitlement, whereby beneficiary agencies receive a virtually guaranteed allocation from federations' annual campaigns. Moreover, unrestricted endowment funds at all but a handful of federations are very modest. Funds available to award to beneficiaries, which typically compete fiercely for these few discretionary dollars, are nominal.

What characteristically happens at federations, given serious resource constraints and local politics, is that allocations from the annual campaign and grants from the endowment fund awarded to grantees are much less about bona fide grant making as we know it than they are made in reaction to important financial exigencies in the system. The dynamics of annual campaign and endowment grant making in most federations are bounded by a closed system of grantor-grantee interdependency.

At the level of federation donor-advised fund grant making, the common reality is that "advised" is tantamount to (donor) "controlled." The mission of federations is sufficiently broad to enable donors to establish funds that they then direct without much outside influence. Little if any real grant making occurs in this form of transactional philanthropy, as it is essentially a check-writing phenomenon.

A number of federations also manage supporting organizations. The Jewish Community Federation of Cleveland was the first federation in the country to establish a supporting organization. The Cleveland federation is among the pioneers in developing programs to assist, educate, and engage its supporting organizations' family members and appointed board of directors.

During my nine and one-half years leading this operation in Cleveland, my colleagues and I prepared hundreds of grant dockets for supporting organization boards. In assembling proposals for board meetings, we revised and edited grant proposals and scrutinized and occasionally amended proposal budgets. We conducted site visits to carry out due diligence. We ultimately submitted proposals for supporting organizations directors' review *as if* the measure of success of a decision to fund a grant would be demonstrated grantee success in achieving its stated project goals. But in truth, the primacy of services to funders and recognition of them as generous donors to the federation annual campaign dictated that far more attention be paid to funder satisfaction than grantee performance.

The way the Cleveland federation organized itself, the knowledge and skills we developed in advanced professional training, the standards of performance to which we were held—these elements of the federation culture did not foster the approach to grant making I find routinely practiced in the world of private Jewish philanthropy. The pragmatic concern for "keeping the community whole," albeit for perfectly understandable reasons, displaced key factors that typically are the basis on which private foundations make their funding decisions.

FOUNDATION GRANT MAKING

The core activity at Jewish private foundations is grant making, and the raison d'être for most of them is effectiveness. It is becoming increasingly commonplace to find private foundations and their grantees diligently partnering to see if their collaboration makes a measurable difference in achieving mission-aligned goals.

As executive director of the Jim Joseph Foundation, it is incumbent on me to work closely with my foundation colleagues to develop a repertoire of skills

that are essential to our work. This skill set is knowledge-based: we need to know what constitutes a “field” if we are requested to consider grant making that will, in theory, actually build a field. We must be able to discern the relationship and differences among inputs, outputs, outcomes, and impact. We collaborate with experts in constructing theories of change and logic models. It is imperative for us, depending on a particular opportunity that the foundation may have, to be able to analyze a grant seeker’s business plan. It is in our self-interest to understand the differences among funding for general or program support, operations, or capacity building and to make disciplined decisions as to whether an organization seeking a particular kind of funding is positioned to make maximum use of the funds it pursues.

Board-governed private foundations often use both a standardized approach to the development of grant proposals and a structured process for their review, which typically includes peer review, a rating system, or both. Grant applicants are required to deliver specific outcomes that the foundations target as a critical component of the proposal review process. There is a kind of proposal scaffolding that requires grantees to state an explicit, concrete goal; articulate strategy based on “proof texts” and “evidence-based practice”; design an approach to evaluation that provides continuous feedback; and describe desired project outcomes that can be measured. Tools such as theory building and logic modeling are typically used to pinpoint the problem any particular grant proposal seeks to address and to surface assumptions it is making in proposing activities to be funded. The private foundation funder asks questions not only about how many people will be affected by the proposed intervention but also how deeply they will be influenced and whether the intervention will achieve fundamental, sustainable change in the condition the intervention is designed to improve. As persuasively stated by Jeffrey Barach, Thomas Tierney, and Nan Stone (2008), here are four key questions that performance-oriented foundations should consider when reviewing grantees’ applications:

1. Which results will we, the grantees, hold ourselves accountable for?
2. How will we achieve them?
3. What will results really cost, and how can we fund them?
4. How do we build the organization we need to deliver results?

DIFFERENCES BETWEEN FEDERATION AND FOUNDATION GRANT MAKING

Although I have learned a great deal in both my federation and foundation executive positions, it is patently clear to me that the matter of keeping a funder happy and the challenge of working with grantees to achieve targeted goals require different professional skills and interpersonal sensibilities. This is neither to obviate the purposeful self-interest that federations have in satisfying their donor-funders nor to underestimate the critical nature of private foundation executives’ relationship to their boards. Rather, it is to assert that the litmus test for success in the federation environment most often is approbation from individuals; in contrast, for private foundations, it is commitment to a shared responsibility with grantees to demonstrate and document positive outcomes resulting from foundations’ investments in grantee initiatives.

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If all this sounds like professionalizing of philanthropy, it is. I recognize that this move toward professionalism is lamented by some as falling prey to what William Ryan, a fellow at Harvard University's Hausner Center for Nonprofit Organizations, calls "hyper rationalism." But the evolution is undeniable.

This professionalization is indicated by several new developments. First, there is the steady growth of professional associations of foundations. Second, there is an emergence of affiliated special interest groups such as Grantmakers for Education and Grantmakers for Effective Organizations. Third, the Center for Effective Philanthropy has created means to formally assess grantor–grantee relationships and now assists numerous foundations to use its methodology. There is as well an increase in the number of funder–grantee intermediaries: in the Jewish world, for example, the Foundation for Jewish Camp and the Partnership for Excellence in Jewish Education. Add to this mix the more visible presence of sophisticated technical assistance providers ranging from Blueprint Research & Design to Bridge-span to the NewProfit and the Non Profit Finance Fund. Furthermore, private foundations' interest in measuring "social return" on their "investments" has spurred the development of social impact measurement tools.² Consider as well the proliferation of university interdisciplinary research centers on philanthropy, which currently include the likes of Duke, Harvard, Indiana University, and Stanford. Moreover, a burgeoning body of literature on professional grant-making skills (Orosz, 2000; Packard Foundation, 2008), foundation strategy (Ellsworth & Lumarada, 2003; Fleishman, 2007), and philanthropic best practices (Damon & Verducci, 2006; Fleishman, Kohler, & Schindler, 2007) has infused the field with rich, substantive content that is both theoretical and practical in nature. This irrefutable evidence proves that foundation work is acquiring a professional character.

My point here is not to suggest that private foundation philanthropy is superior to Jewish federation philanthropy. No doubt both enterprises expect the money they grant will be well spent. But foundation philanthropy is different. My assertion is that, in the domains of foundation strategy, grantee due diligence, grant proposal preparation, and particularly program evaluation and assessment of philanthropic effectiveness, private foundation and federation professionals work in different worlds.

Of course, neither private foundation nor federation professionals are held accountable on an *individual* basis for proving that their efforts lead to demonstrable social impact. The organizations for which they work are not judged on any community agreed-on standards of success. But there is little dispute that board-governed private foundations are moving toward forms of self-imposed accountability that most federations are unlikely even to contemplate.

CHALLENGES AND OPPORTUNITIES

These seven activities and opportunities are substantive and potentially consequential, if we act cooperatively on them.

1. *Training—working effectively with boards is fundamental to success in both communal and private philanthropy:* It is remarkable to me that given the complexities of this work—ranging across a full spectrum of organizational development, effective

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²One of the tools has been developed by the Acumen Fund (www.acumenfund.org). A second is in development by Social Solutions, Inc. (www.socialsolutions.com).

management, and leadership dynamics—that we have as much apparent stability as we do in the tenure of professionals who lead both private and federation philanthropic enterprises. Successful executive directors seem to flourish by dint of personality, aptitude, humility, and communication skills. Nonetheless, offering professional development programs tailored to chief executives that enable them to study independent sector best practices and to learn state-of-the-art grant-making skills is important to Jewish philanthropy's future well-being.

2. *Developing a richer understanding of each arena's methods of operation:* For those who have not had experience working in federations, an orientation to how federations identify communal priorities and what they do operationally to secure resources for those priorities would be beneficial. Seeing a donor/fund services program in operation for those inexperienced in federation ways would also be helpful. Conversely, federation executives could develop greater insight into foundation operations in any number of ways, ranging from participation in conferences for funders to partnering with a private foundation on a major grant opportunity.

3. *Improving the exchange of information and its compilation and dissemination:* To my knowledge, we have not created any effective means whatsoever to share grant-making data and experiences. This is an Achilles heel for all of us: it undermines understanding, opportunity, knowledge, effectiveness, and impact to the detriment of grantee beneficiaries and to the advancement of our craft. Nearly ten years ago, Gary Tobin (1999) lamented,

The Jewish community has evolved in such a way that it lacks a clear process for developing consensus about emerging community needs. As a result, there are often inefficiencies in:

- *Gathering and analyzing information*
- *Linking successful programs, and*
- *Mustering the resources to create new projects or institutions that philanthropists would support*

Thus, there is a breakdown in the system—a disconnect—between the desire to improve and change the quality of Jewish life and the realization of that goal.

We have done nothing to address this flaw.

4. *Working cooperatively to map the flow of philanthropic resources in the Jewish world:* In the secular community, some sophisticated work is being done in describing how the philanthropic capital market works and what can be done to better align funders, intermediaries, and grantees to produce improved “social return” (Bernholz, 2004). We cannot begin to make serious headway in the Jewish world in achieving greater impact with our philanthropy until we do the following:

- Identify major funders and sources of income available to prospective grantees
- Map which funders are willing to provide resources at what stage of institutions' growth and development
- Try to connect and coordinate philanthropists to bring a level of rationality to funding of grantees that currently does not exist

5. *Capitalizing on one another's strength:* for example, federations' trained bird's-eye view of local community priorities and private foundations' experience in developing effective long-range approaches to strategic funding of initiatives. It is the combination of federation and private philanthropy that will bring the

greatest benefits to day school and complementary education, camping, efficacious outreach to young adults in their odyssey years, and the like. Unfortunately, it is my experience that the more interconnected and complex the world becomes, the greater the tendency for federations and private foundations to limit their vision and opt for zero-sum philanthropic responses to contemporary challenges. A less parochial approach would be to find ways for us to complement one another's strength.

6. *Co-sponsoring research that holds promise for yielding findings of pertinence across our domains:* The Jim Joseph and Andrea and Charles Bronfman foundations recently invited the Los Angeles, New York, San Francisco, and Toronto federations to help fund studies of Birthright alumni in these four communities. The forthcoming report is very likely to have utility for the private foundation funders as well as the four participating federations. I can think of at least three major research studies that would have wholesale value to the entire community: a new national population study, a longitudinal study following a large number of Jewish teenagers into their adult years, and a replication of the Educators in Jewish Schools Study. There simply is no good reason for us not to find some higher common ground.

7. *Improving the precision of language we use to articulate problems, challenges, and opportunities:* I have always believed that words matter. For example, core values that infuse Judaism's unique history of philanthropy derive from concepts of *tzedek* and *tzedakah*, suggesting that Jewish philanthropy ideally makes a meaningful, palpable difference in what it accomplishes. On another level, when we talk about results achieved in our philanthropy, we should not confuse inputs with activities or outcomes with impact. It is not sound social science to mistake contribution with attribution—to confuse correlation with cause. Perhaps most importantly, given that both federations and private foundations want to be successful as funders, it seems fair to expect us to create a discourse on effectiveness. "The challenge – worthy of all our attention – is to develop the language of effectiveness for philanthropy, which can and must improve our performance" (Buchanan, 2008). If we had a vernacular to use that bridged the worlds in which we work, it could lead us to a more optimal Jewish philanthropy. I believe that the series of voluntary face-to-face meetings that major federation and private foundation executives have conducted during the past two years represent a first step toward creating a more intelligible, functional discourse.

In a book of interdisciplinary essays aptly titled *Taking Philanthropy Seriously*, Stanford University professor William Damon contends that "philanthropy stands as an exception among the fields of highly consequential work in that it conducts its affairs without any reference to common codes that are known throughout the field, learned by all practitioners, widely accepted, and circulated by an authoritative professional association." He continues,

When a field lacks a domain of knowledge and standards to ground it, people working in the field have no means of agreeing upon what counts as success or failure, opportunity or risk, benefit or harm. They cannot learn lessons from each others' experiences, they cannot devise regular ways of training new practitioners, and they cannot establish common metrics for evaluating their practices. The result is a field that is unable to gauge its own shortcomings and to thereby lead itself toward progressive

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change. This is a recipe for ineffectiveness at best and catastrophic failure at worst (Damon & Verducci, 2006).

Jewish federations and private foundations use their resources to elevate the human condition of the Jewish people. Why not accept the mutual responsibility to help each other do our righteous work better?

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QUESTIONS FOR DISCUSSION

- Do you agree with the differences in grant making the author asserts exist between private foundation and federation philanthropy?
- On what professional experience do you base your opinion? How can your experience inform an enriched understanding of the similarities and differences in private foundation and federation grant making?
- What barriers are there to the seven activities for cooperation and collaboration recommended in this article? How can these barriers be overcome?
- Better coordinated private foundation and federation funding of high performing organizations would be a boon to the Jewish nonprofit world. How would you design a process whereby such coordinated funding could actually be achieved?