

July 24, 2011

As It Seeks a New Leader, Council on Foundations Must Take Risks



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By Pablo Eisenberg

The Council on Foundations is at an important crossroads as it faces a leadership transition.

It can either continue to bumble along, safely dispensing services to its members but not providing any leadership on the crucial issues facing philanthropy in the coming decades. Or it can begin to energize the growing number of grant makers by raising the level of intellectual discourse, challenging traditional practices, pushing for greater accountability and better governance, and developing new philanthropic leadership.

In short, it can start providing the vision and values that have been so lacking in philanthropy in recent years.

Much of the responsibility for this decision will rest with the Council on Foundations' new president, now that Steve Gunderson has said he plans to step down in September.

But the board, by the nature of its selection, will signal whether it supports real change or is satisfied with the mediocrity of the organization's past.

As a rule, big foundations and nonprofit trade associations have recently tended to rely on large search firms, such as Russell Reynolds Associates and Spencer Stuart, for their pursuit of top executive candidates. While very professional and exceedingly sensitive to board sensibilities, these 800-pound gorillas of the search world often fail to recruit exciting, edgy, courageous, and out-of-the-box leaders.

Their Rolodexes are full of safe, credentialed and academically pedigreed people who are suited for normal management positions but not for innovative, risk-taking and creative opportunities. Too often, they are afraid to present some of the best candidates who are edgy or controversial for fear of not pleasing the board. If the council needs a search firm, it would be well advised to turn to a smaller, more adventurous, and plucky firm.

Over the past decade, the council's failure to provide leadership to its members and to philanthropy in general has been pronounced. During the economy's meltdown, the council sat on the sidelines, unwilling to urge the foundation world to increase its giving to nonprofits that were suffering from massive cutbacks in government funds. Some of its members even had the gall to call for a government bailout of nonprofit groups.

Nobody made a clarion call to urge foundations to increase the amount they give, nor did the council urge its members to share some responsibility for helping to stimulate the recovery and strengthen struggling nonprofits.

To the organization's lasting shame, foundations in general not only refused to prime the economic pump but also actually decreased significantly the money they distributed to nonprofits.

The list of critical issues facing philanthropy in the coming years is extensive, partly because neither the council nor its membership has been willing to think seriously about them or take any action to tackle them directly. The following are just a few of those issues.

Do foundations give enough each year to meet the needs of the nonprofit world?

The council should lead a serious examination and discussion by its members about the reasonable minimum standard for distributing assets and justifying foundation tax benefits. Among the questions it should pose:

- Would even a slight increase in the current federal 5-percent minimum really endanger their ability to ensure their perpetuity?
- Since many foundations exceed the 5-percent payout, what are the arguments for and against an increase?
- Do foundations have a national responsibility for more adequately meeting public needs, including the welfare of nonprofit organizations?

How can foundations increase their accountability?

Better and more frequent reporting by foundations about their giving, plus more streamlined procedures and easily understandable grant processes, could bring greater sunshine to foundation activities.

While better communication would help, the root of the lack of accountability stems from the nature of foundation boards, especially at family foundations.

A growing number of new large foundations have only two or three family members on their boards.

The Bill & Melinda Gates Foundation is an illustrative example. Bill and Melinda Gates and Warren Buffett are the three board members who give out more than \$3-billion a year without any public discussion or political process.

If scholars who predict a huge transfer of private wealth in the next 30 years are right, that could well result in 30 to 50 foundations as big or bigger than Gates run by two or three family members.

The recent billionaires' pledge driven by the Gateses and Mr. Buffett could produce even more of these huge family-run foundations.

The council, and indeed the nonprofit world as a whole, needs to think about whether this is good for our democracy and, if not, what can be done to democratize this development.

The council in the past few years has commendably started several efforts to broaden the number of minorities and women among foundation board and staff members. But the council has never called on its members to consider issues of class or to persuade grant makers to add more working-class people to their boards.

Where are the new philanthropic leaders?

When you ask observers of philanthropy whether they believe there are many outstanding leaders of philanthropic institutions, the answer usually is “not many” or “only a very few.”

Even foundation insiders agree with this observation. The forthcoming departure of Gara LaMarche as head of Atlantic Philanthropies leaves that thin group even leaner.

That wasn't the case a quarter of a century ago, when many remarkable men and women of vision provided leadership to philanthropy that it lacks today. They were role models and mentors to their program officers who went on to do fine work.

The council will want to ask why philanthropy has so few leaders today and how can it recapture the old spirit.

The recruitment process may be part of the problem. Too many of the CEO's seem to come from the academic world, not known for its understanding of community or for its activism; few appear to have been accomplished nonprofit executives with a feel for advocacy and public policy.

The council should consider what it can do to encourage and support talented program officers who want careers in philanthropy but are discouraged because they have nowhere to go, no career paths to follow. It should ask what incentives would not only motivate existing program officers but also attract new promising personnel.

Years ago, the council sponsored intensive training sessions for new program officers and occasional sessions for more experienced staff members. They were useful and popular, yet they were discontinued. Perhaps they should be revived.

What can be done to increase the intellectual ferment in philanthropy?

The foundation world in recent years has been moribund intellectually.

Few foundation executives think or write about the field or their experiences as foundation leaders. By and large, the annual meetings of the council and regional associations are boring, devoid of serious debates about the challenging issues of the day.

Their main offerings seem to be the opportunity to meet, greet, and schmooze with their colleagues and friends. Few real critics of foundation programs are asked to attend to stir the pot of contentiousness. For some council members, the Philanthropy Roundtable, the council's conservative counterpart, seems to provide more substantial and lively sessions.

The council, until a few years ago, at least made an attempt to provide a space for discussion and debate.

Its magazine, *Foundation News & Commentary*, published interesting stories by both foundation executives and nonprofit staff members about controversial issues, new developments in the foundation world, and the strengths and weaknesses of philanthropic efforts.

While not perfect, the publication at least offered an opportunity for intellectual discourse. Since it was abolished, no comparable outlet has been created.

Unless its membership wishes to remain in its intellectual doldrums, the council will have to find a way to reintroduce a spirit of curiosity, introspection, and inquiry in its work and that of its members. Such a spark could invigorate the work not only of the council but also of all foundations.

The list of challenges could go on: the legitimacy of trustee fees to the wealthiest people in the country, a minimum payout for donor-advised funds, the widening gap in wealth between large and small nonprofits, and the lack of oversight and enforcement of laws that govern foundations and nonprofits.

The board and the new CEO will have to overcome the inertia of the past to develop a new direction for America's nearly 100,000 foundations. It will be a huge task but one with enormous positive consequences.

Several board members are optimistic that the council is ready to become a visionary leadership organization. If it does, it will signal a move from the philanthropic dark ages to a new renaissance. What a difference that would make.

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