

Stanford SOCIAL INNOVATION REVIEW

Review

The Fair Society

By Peter Corning

Review By Roberto De Vogli

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The Holy Grail for Nonprofits

Review by **Jim Schorr**

NONPROFIT SUSTAINABILITY: Making Strategic Decisions for Financial Viability

Jeanne Bell, Jan Masaoka, & Steve Zimmerman
208 pages, Jossey-Bass, 2010

The notion of financial sustainability is something of a holy grail in the nonprofit sector these days. Virtually all nonprofit board members and executives today face financial situations that at best constrain their ability to grow or at worst threaten their very survival. On each of the six nonprofit boards on which I've served in recent years, the topic of financial sustainability has been an ongoing discussion, albeit one that too often finds itself on the back burner. The absence of strategic frameworks to help structure nonprofit leaders' thinking and planning for sustainability certainly hasn't helped.

Given this context, the timing seems especially ripe for *Nonprofit Sustainability* from co-authors Jeanne Bell, Jan Masaoka, and Steve Zimmerman. The authors, all respected nonprofit executives and consultants, have developed a framework that will help nonprofit executives take an approach that integrates financial performance and social impact considerations in strategic decision making. The book's premise is that "financial and impact information can and must be brought together in an integrated, fused discussion of strategy," which is true and increasingly important. Much as 21st-century corporations are integrating social responsibility and sustainability practices in their business models, 21st-century nonprofits must integrate financial considerations with their social impact priorities as well. It's all reflective of the movement toward a broader perspective of organizational performance and

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the idea of "blended value" that Jed Emerson gave us many years ago.

Beyond this important premise, *Nonprofit Sustainability's* primary contribution is a framework for operationalizing the integration of financial and social impact. The "Matrix Map," a standard 2 x 2 matrix that is the trusted friend of every good consultant, is a simple but powerful model for assessing the impact and profitability of a nonprofit's programs. In this model, programs are reclassified as "business lines" and include fundraising efforts as well. Each business line is assessed on its impact and profitability and then plotted at the appropriate point and scale on the matrix. Through this process, nonprofit executives get a clear picture of both the absolute and relative performance of each important program and fundraising effort. No doubt the picture this exercise reveals will be enlightening for many nonprofit leaders and put them in a better position to make smart resource allocation decisions. A simple, easy-to-use framework that gives nonprofit leaders sharpened strategic clarity about the value of programs and initiatives? For that alone, we should all hail the arrival of the Matrix Map.

It should be noted, and more overtly than it is in the book, that the Matrix Map is a direct descendant of Boston Consulting Group's Growth-Share Matrix, which dates to 1968 and is familiar to everyone who has since pursued an MBA. The BCG Matrix famously gave us "Stars," "Cash Cows," "Question Marks," and "Dogs," and suggested that companies should classify and manage their product portfolios accordingly. *Nonprofit Sustainability's* Matrix Map gives us "Stars," "Money Trees," "Hearts," and "Stop Signs," and suggests that nonprofits classify and manage their program portfolios accordingly. If it sounds like the Matrix Map is essentially the BCG Matrix applied to nonprofits, it's because that's exactly what it is. Even so, the Matrix Map's lineage doesn't change the fact that its ap-

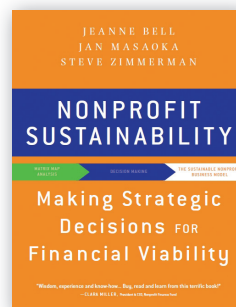
plication to nonprofits is at least somewhat novel, and it does create a potentially important new tool for nonprofit boards and executives.

The first half of *Nonprofit Sustainability* develops the Matrix Map as a model and helpfully illustrates its use and applicability through a variety of examples and situations. The second half is largely filler,

seemingly purposed around the need to reach a certain page count to achieve book status. Part Four in particular, a 32-page laundry list of every imaginable fundraising and earned income vehicle, bears little relevance to the Matrix Map or its application. Rather than an encyclopedic list and description of earned income

types, a chapter on how social enterprise models could be evaluated using the Matrix Map model would have been far more valuable. Similarly, although the book does devote a few pages to the Matrix Map's usefulness in potential merger evaluations, surely there is more to say about how this tool can help facilitate nonprofit merger and joint venture activity, which has to be one of the biggest untapped opportunities in the sector.

Nonprofit Sustainability is a book that would've been, and probably should've been, a great article in the *Stanford Social Innovation Review*, where the core idea and useful Matrix Map could have found a larger audience. Nonetheless, I fully intended to order copies for the executive directors and board chairs I work with, until I found it priced at a whopping \$35 for a paperback edition. Although *Nonprofit Sustainability* and its Matrix Map deliver an important idea for nonprofits, it's an idea that should have been delivered more accessibly and affordably. Something isn't right about a business model that takes a good (but hardly proprietary) idea for nonprofits and turns it into a high margin, low volume product. Perhaps that's a critique of book publishers more than the authors, but *Nonprofit Sustainability* is ultimately a product of both. ■



New School Economics

Review by Kevin Starr

MORE THAN GOOD INTENTIONS: How a New Economics Is Helping to Solve Global Poverty

Dean Karlan & Jacob Appel
320 pages, Dutton, 2011

I like Dean Karlan. I like his work. Our Mulago Foundation funds his organization, Innovations for Poverty Action (IPA).

We do whatever we can to get others to fund IPA. Disclaimers out of the way, here's a two-sentence summary of Karlan's *More Than Good Intentions*: This book is a gem. Anyone serious about aid, philanthropy, or impact investing should read it, maybe a couple of times.

More Than Good Intentions lays out a new approach to exploring and testing solutions to the thorny problems of global poverty. Yale University professor Karlan and his co-author, IPA project associate Jacob Appel, have produced a book that is very readable, hugely useful, and often entertaining. Metrics geeks looking for a technical manual will be disappointed; those of us looking for a practical way to understand what works will not be.

Karlan and his colleagues at IPA are part of a new movement in development economics, a movement spearheaded by Esther Duflo and Michael Kremer and represented by a small army of researchers all over the world. As Karlan puts it, their work consists of a "two-pronged attack" on the problem of finding the best solutions to poverty: 1) using rigorous evaluation methods akin to clinical research to test poverty solutions, both old and new; and 2) understanding problems and interpreting results using the lens of behavioral economics.

Karlan and Appel believe that understanding what works for poverty alleviation programs boils down to one deceptively simple question: "How did people's lives change with the program, compared with how they would have changed without it?" The primary—but not only—tool that Karlan et al. use to answer that question is the randomized controlled trial (RCT). In an RCT, a pool of subjects is randomly divided into intervention and control groups;

the former gets the interventions and the latter does not. The two groups are fundamentally alike—both are measured before and after, and the impact is the difference between what happened to the intervention group and to the control group. RCTs are not new. The novel element here is the systematic and creative application of RCTs to test poverty solutions in the real world.

RCTs have their flaws, and there has been an understandable backlash against them. They can be expensive and complicated; perfect control groups are a myth; and results are too often too broadly interpreted. Yet Karlan is not doctrinaire about RCTs. He simply believes that you should measure from the beginning, measure the right thing, get good quality numbers, and make a case for what would have happened without you. One of the best examples in the book doesn't involve an RCT, but instead a "natural experiment" in Kerala, India, in which areas without cell phone service served as controls for a study of how fishermen used their phones to find where to get the best price for their catch and increase their profits.

Both the work and book benefit enormously from the application of behavioral economics, which goes beyond the narrow utilitarianism of classical economics to examine how real people make decisions. Behavioral economists assume that we don't operate on the basis of simple cost/benefit calculations, but have

many different priorities, and that what may at first seem irrational often is not. Karlan and Appel use this approach as a tool to interpret results, make predictions, and come up with new ideas and hypotheses. In doing so, they draw on the strengths and flaws common to all of us and provide a respectful picture of the poor—not as some faceless other, but as us in different circumstances.

Given the overall clearheadedness of the book, one thing that puzzled me was the way that Karlan pulls his punches on microcredit. He reports that women entrepreneurs in Sri Lanka were often worse off after taking loans; that the poorer entrepreneurs in South Africa showed no effect from loans; and that even those entrepreneurs who did make more money often did so by shedding employees and typically spent the increased

profits on consumer goods rather than reinvesting in their businesses. That said, he comments brightly that "it does not mean that ... the enormous amount of enthusiasm [microcredit] has generated is necessarily misplaced." Well, what exactly *does* it mean? Perhaps he's just being nice, but if this methodology is as powerful as he'd have us believe, he should have something a bit more definitive to say about microcredit.

Still, *More Than Good Intentions* is a relentless and honest effort to find out what works and why. We really need what these new school development economists are providing. We've done far too many things that didn't work for far too long. But it is not enough to show what works: The one missing element in Karlan and Appel's fine book is a discussion of what it takes to turn research findings into real change. In a sector that does not yet channel resources toward impact, all that we learn about the behavior of the poor will be wasted unless we learn how to change the behavior of government bureaucrats, NGO executive directors, and the people who run foundations. ■

Philanthropic Practices

Review by Matthew Bishop

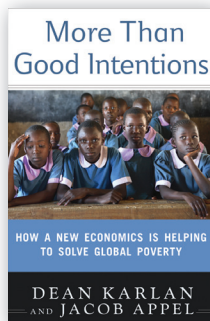
DO MORE THAN GIVE: The Six Practices of Donors Who Change the World

Leslie R. Crutchfield,
John V. Kania, &
Mark R. Kramer
250 pages, Jossey-Bass, 2011

The paradox at the heart of being an effective philanthropist is that it is not all about the money. Having a dollop of cash to give away gets you into the phi-

lanthropy business, but it has surprisingly little to do with whether you make a success of it. This is what Warren Buffett was getting at when he said, "It is far easier to make money than to give it away effectively." Bill Gates reinforced the point when he told me, during my research for *Philanthrocapitalism*, that his foundation, the biggest the world has ever seen, is a "tiny, tiny organization"—his point being that despite all his and Buffett's billions, the Bill & Melinda Gates Foundation cannot achieve its ambitious goals unless it leverages far larger resources and organizations to help.

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How to turn philanthropic dollars into significant impact, even if you have far less to give away than Gates, is the subject of this excellent new book by Leslie Crutchfield, John Kania, and Mark Kramer. Their first point is that change requires serious commitment, and although they do not advocate putting all your eggs in one basket—a portfolio of causes is okay—they argue that nothing can be achieved without focus. Who can disagree with them that the scattergun funding approach of many foundations is a recipe for impotence?

Once the cause has been selected, an effective philanthropist should embrace one or ideally more of six practices. Top of the list is something far too many foundations run away from: advocacy. I remember my surprise when David M. Walker, former US comptroller general and president of the Peter G. Peterson Foundation, told me that many donors do not even consider campaigning for policy change because they think it would cost them their charitable tax break, when only partisan lobbying would do so. The authors agree with him, arguing that, for many causes, the best option for what they call a “catalytic philanthropist” is to find ways to influence government action. They cite successful examples of advocacy ranging from the Ford Foundation’s promotion of civil rights and the Heritage Foundation’s ushering in of Reaganism to the relatively small Tow Foundation’s work to improve juvenile justice in Connecticut.

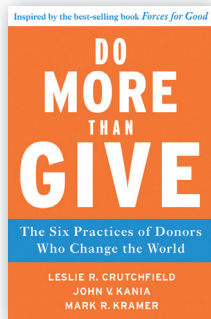
The second practice is even more at odds with normal practice in the foundation sector, and to my mind even more on the money: embracing the profit motive. “You might think it is unfortunate that social problems can’t be solved by the nonprofit sector alone, but it turns out that business has a lot to offer as a vehicle for social progress,” the authors say. They back up this argument with several compelling examples, including General Electric’s efforts to create state-of-the-art maternity wards and the Shell Foundation’s development of new forms of financing for small- and medium-sized companies in poor countries. Any foundation with an endowment would do well to follow the example of how the Nathan Cummings Foundation has pursued its

social justice mission through highly effective campaigning.

The third practice is perhaps the most shocking in that it needs to be highlighted at all. It is to forge networks of peers, to pursue social change as partners. Obvious, yet as the mystified authors rightly ask, “Why don’t more foundations actively collaborate with their peers?” Practices four, five, and six are less startling. Catalytic philanthropists empower their partners and the people they are working to help. They “lead adaptively,” meaning that they “perceive and respond to opportunities in the environment, orchestrate activity among key players, and shape conditions so that others can make progress toward the cause.” And they build foundations that are “learning organizations.” On the last point, the authors rightly argue that the systems of measurement that foundations use should be designed not just with the goal of demonstrating compliance with predetermined objectives, but also to enable a continuous conversation about what is, or is not, working. “Catalytic philanthropy is an ongoing process of learning and adaptation,” they conclude.

Inevitably, there are flaws in any book with clear-cut prescriptions. In *Forces for Good*, Crutchfield’s earlier book with Heather McLeod Grant on the best practices of nonprofits, the organizations profiled were selected through a rigorous survey of nonprofit leaders. In this book, it is not entirely clear how the examples of success were chosen; certainly, the search process does not seem to have been comprehensive. And although the authors acknowledge early on that they include some clients of FSG, the consulting firm that employs all three of them, this reader would have preferred those clients to have been identified explicitly when their stories were told. It also gives too little credit to other writers in the growing field of philanthropic studies, including in this journal, where many of these ideas have been aired initially.

But that is to quibble. This is an inspiring book, full of nuggets of wisdom and compelling stories of success, that should be read by every philanthropist who is serious about trying to change the world. ■



Ethical Philanthropy

Review by Chip Pitts

GIVING WELL: The Ethics of Philanthropy

Patricia Illingworth,
Thomas Pogge,
& Leif Wenar
320 pages, Oxford
University Press, 2011

Much evidence exists that a golden age of philanthropy is upon us, as corporations, wealthy individuals, and ordinary Americans give at record levels, and often with higher standards for effectiveness and impact. Consequently, there’s a great need for reliable information about who should give, whether the giving is accomplishing its aims, and how to give and evaluate giving more effectively.

Into the breach step the editors of *Giving Well*, an interdisciplinary volume of essays. Patricia Illingworth, Thomas Pogge, and Leif Wenar promise an “unmatched introduction to the ethical issues surrounding giving.” With contributions from such academic luminaries as Peter Singer, Thomas W. Dunfee, and Pogge himself, expectations run high, and many of the essays are indeed substantive and stimulating. The problem is that much of the information in the book isn’t new; the contributions from Singer, Dunfee, and Pogge repeat ideas and even entire essays published elsewhere. And the ideas presented in the new essays in the collection are often inaccessible because of excessively turgid academic prose.

Exceptions exist. For example, the essay by Stanford University political scientist Rob Reich is both clear and illuminating, extending his prior explorations of tax incentives for giving. Reich finds wanting the two main justifications for charitable deductions: taxable income and government subsidies to charities, which as currently implemented tend to benefit wealthy citizens instead of the general public or the poor. But he notes that a third, even more defensible rationale for giving—encouraging pluralism—also fails, because the regressive design of deductions in most countries disproportionately favors the rich. (I might add that the bias toward supporting particular dominant religions in the United States

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and many other countries also could undermine the pluralism rationale.)

Truly indispensable, despite being reproduced from elsewhere, are Singer's essay on the duty of citizens of more affluent countries to help the global poor, with giving based on citizens' income levels, and Pogge's essay on the complex array of issues, such as maximizing the number of lives that can be saved, that international nongovernmental organizations should consider. Although readers may disagree with some of the points made by these authors, no one serious about ethical giving can fail to engage with them at some level.

Still, I would have hoped for more insights into current philanthropic trends, such as the mechanisms by which the Bill & Melinda Gates Foundation is transforming global health through its public-private partnerships, investments, and strategic and business approaches. Notwithstanding Dunfee's insightful essay, "The Unfulfilled Promise of Corporate Philanthropy," there

is too little information about the exciting new contributions many corporations are making to persistent global challenges, such as poverty, inequality, health, water, food, illiteracy, climate change, conflict, and war.

Multinational corporations are recognizing that the natural and social systems in jeopardy are important to their businesses and to people around the world. They are bringing their core competencies, strategic resources, and drive for results to help address root causes as well as symptoms of problems. This is significant, since the scale of the world's challenges transcends

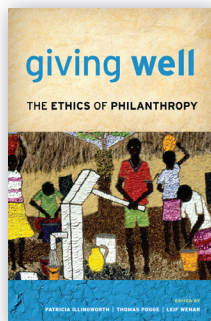
the abilities of any single player. What we need are multi-stakeholder and rights-based approaches to sustainable development, as evidenced by the United Nations Global Compact and the call to action for corporations to support the U.N.'s Millennium Development Goals.

Illingworth's essay highlights the crucial importance of fostering social capital

through infrastructure, laws, norms, and values that enable trust and cooperation. She rightly points out that global social capital is undermined by the policy of limiting deductions to donations to charities within the United States. She could have included, however, examples of concrete philanthropic initiatives enhancing social capital besides microfinance, especially given the criticism it has encountered recently.

The rest of the essays in this collection vary in quality from the outstanding (Roger C. Riddell's survey on the value and limits to foreign aid), to the relevant and interesting (Alex De Waal's examination of how humanitarianism in Sudan has contributed in unexpected ways to good and evil outcomes), to the ill-conceived and misleading (Leif Wenar presents stale and sophistical arguments against aid, as does Ken Anderson against international NGOs).

Wenar unfairly and myopically evaluates Singer's approach to poverty alleviation, excluding all the nuance and recognition of the complexity of giving in Singer's argument. He adopts such an unrealistically



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skeptical view of aid that—his disclaimers notwithstanding—his argument would seem to discourage donations altogether. Anderson attacks multi-stakeholder action by calling it “global governance,” inaccurately defining this well-established concept as “one overarching lawgiver for the planet,” without addressing its widespread acceptance as coordinated action involving non-state and state actors. Although it’s fine that such contrarian views are included in this collection, it is too bad that Singer and the others were not given a chance to respond to these mischaracterizations.

Giving Well may gloss over some of the most salient aspects of giving trends, but it usefully brings together a number of valuable essays that explore the promise of new directions of philanthropy. Its main contribution may be that it highlights the vital need for greater and more ethical generosity—and for continuous improvement of the effectiveness of the “new philanthropy.” ■

Just Instincts

Review by Roberto De Vogli

THE FAIR SOCIETY:
The Science of Human
Nature and the Pursuit
of Social Justice

Peter Corning
256 pages, University of
Chicago Press, 2011

In the aftermath of a financial crisis in which 34 million people lost their jobs and 60 million have been pushed into severe poverty, Peter

Corning’s *The Fair Society* could not be more timely. In a poignant and well-articulated book, Corning tackles some of the fundamental contradictions plaguing the United States and other social systems: Is it just that none of the architects of the biggest robbery in world history went to jail? Is it fair to ask the victims affected by the fraud to pay for the budget deficits caused by the financial plunderers? How long will “we, the robbed people” continue to tolerate such injustices?

Corning is adamant that the unfair distribution of power and wealth among and within societies is at the basis of existing and impending crises: climate change, nu-

clear proliferation, peak oil, water and food shortages, financial meltdown, social unrest. But Corning’s book is not a treatise on the global crises resulting from turbo-capitalism. *The Fair Society*, instead, is a rigorous attempt to reconcile the science of human nature with the pursuit of a fair socioeconomic system. The questions raised in his book—Is justice a social obligation or the interest of the stronger? Are we inherently just or selfish? Are capitalism and socialism fair? What are the central features of a Fair Society?—have been the central preoccupations of philosophers such as Plato, Rousseau, Hobbes, Hume, Locke, Kant, and Marx.

The importance of these questions cannot be overstated. For the last 30 years, socioeconomic policies at the national and global level have been dominated by free market fundamentalism, an ideology based on the assumption that people’s primary motivation is the pursuit of profit. In most established democracies, this doctrine has guided the macroeconomic agenda of both conservative and liberal administrations, or what Gore Vidal called “the two right wings” of the “Property Party.” It also has directed the global economic policies of international financial institutions, such as the International Monetary Fund, the World Bank, and the World Trade Organization, with disastrous social and economic effects for the developing world.

Working from the presumption that all people are inherently selfish, the proponents of free market fundamentalism have argued that their doctrine is the only public philosophy that works. It is a pity that countless studies, some of them quoted in Corning’s book, show exactly the opposite. To be sure, the science of human nature is far from conclusive. Existing evidence largely indicates that people are at times selfish, competitive, and unjust and at other times altruistic, cooperative, and fair. More important, cross-cultural research shows that our sense of fairness and unfairness is largely shaped by the social and environmental circumstances in which we live.

In the last chapters of the book, Corning proposed a “biosocial contract” to develop a fair society in the United States and around

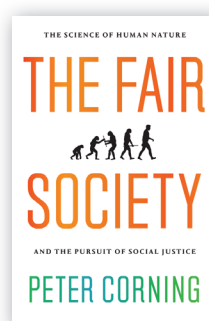
the world, which he describes as a “collective survival enterprise” able to satisfy the “primary needs”: thermoregulation, waste elimination, nutrition, water, mobility, sleep, respiration, physical safety, physical health, mental health, communications, social relationships, reproduction, and nurturance of offspring. A fair society, the author argues, can be created through policies aimed at promoting full employment, ensuring a living wage, strengthening welfare services, reforming the private sector, and developing a more equitable tax system. Corning argues that this biosocial contract can overcome the limitations and unfair qualities of both capitalism and socialism. Capitalism, he believes, is too unequal to allow poor people to meet their basic biological necessities, and socialism is too indifferent to meritocracy and innovation.

Corning’s proposal, I am afraid, is likely to be dismissed by both free market evangelists and the so-called moderate liberals. The former will judge it as an attack on their narrow conception of freedom; the latter will disregard it as a pie-in-the-sky idea. Corning’s proposal is necessary and on target, but at least two ob-

servations can be made. First, it is too reductionist to depict most human actions as motivated by what Corning calls the “underlying survival challenge.” There is more to life than satisfying our primary needs. Our existence has some deeper, more creative meaning than mere survival and reproduction.

Second, although Corning’s idea for a fair society is depicted as something new, the author admits that it is largely based on “a society that more closely resembles what already exists in countries like Denmark, the Netherlands, and Sweden.” Although northern European countries can be considered models of social capitalism, they are far more social than capitalist. It is curious that Corning does not address this fact. Is it too controversial to be acknowledged?

Still, it is refreshing to hear a public intellectual like Corning call for the pursuit of a fair society. Many will surely be skeptical about this proposal, or simply view it as sheer utopia. But the real utopia is the belief that the current social system can proceed unchanged. ■



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