

Review

Uncharitable: How Restraints on Nonprofits Undermine Their Potential

By Dan Pallotta

Reviewed by Renée Irvin

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The Art of Grantmaking

Review by Susan Berresford

MONEY WELL SPENT: A Strategic Plan for Smart Philanthropy

Paul Brest and Hal Harvey
304 pages,
Bloomberg Press, 2008

Over the last few decades, American foundations have proliferated at a striking rate, and among their creators are a good many super-wealthy donors. The media have dedicated more and more space to these philanthropists, and experts have poured out advice about the value of “strategic” giving. These advisors believe that too few donors, new and old, carefully analyze the best use of their funds, and that as a result, they accomplish less than they might through a more strategic approach to giving. Indeed, donors can now find not only books on this subject, but also multiple courses, conferences, consultants, and online guides.

Paul Brest and Hal Harvey are two seasoned and wise leaders in the field of philanthropic effectiveness—Brest is president of the William and Flora Hewlett Foundation and Harvey is a former director of its Environment Program. Their new book, *Money Well Spent*, is an outstanding example of the strategic giving genre. They walk the reader through the importance of donors having clear problem-solving goals, sound strategy, and clarity about risk tolerance. They urge donors to aim high: “Developing alternative solutions requires creativity or innovation—creativity that is goal-oriented, that aims to come up with pragmatic solutions to a problem.” They advise about careful selection of grantees and accountability arrangements, distillation and communication of lessons learned, and the right types of grants and institutional arrangements. And they infuse their instructive text with non-polemic presentations of critical decisions such as choosing whether to spend out a founda-

tion’s assets or manage them in perpetuity, as well as warnings about false dichotomies such as charity vs. change.

They also do more than offer advice on skillful grantmaking. They foster an appreciation of the many ways to engage in philanthropy, something too few authors in this space do well. Chapter 2, “Choices in Philanthropic Goals, Strategies, and Styles,” for instance, serves as a primer on the roles donors can play, ways to consider the donor’s resources in relation to needs, and the effort required to achieve change. And the book’s afterword wisely reminds donors of their responsibilities to the larger field of philanthropy and its infrastructure organizations. Brest and Harvey list organizations such as the Association of Small Foundations, the Council on Foundations, and Independent Sector, all of which can help donors live up to the important maxim “do no harm,” and even go well beyond it. New entrants to the field will surely find this section valuable, as few know about the local, regional, and national groups that assist and track philanthropy.

My guess is that this book so nicely fills its niche that it will push the next generation of authors to explore new territory—to be less donor-centric and discuss grantmaking from the perspective of grantor, grantee, and beneficiary. I will welcome that, because too many of the recent aids to donors, including this one, impart little understanding of what it is like to be on the other side of the table. Ignoring the experience of others can undercut donors’ effectiveness. Brest and Harvey do touch on donor-grantee matters in several places, including in Chapter 5’s “Grantor-Grantee Relationship” section. They list common donor mistakes: unresponsiveness, time-wasting reviews and proposal revision processes, outsized expectations, and clumsy program exits. But the book gives only limited space to the donor-recipient-beneficiary relationships and the serious problems that can emerge from inattention to them.

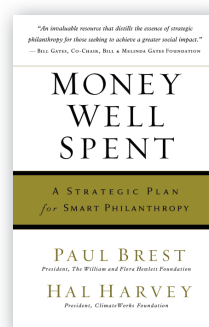
As Brest and Harvey certainly understand, success in the search for philan-

thropic solutions does not lie entirely in the logic and accountability model, or in the now-popular wholesale importation of business practices into grantmaking. If a donor wants to ensure that libraries carry particular books or that all of a neighborhood’s elderly residents get flu shots before the holidays, tight logic models and time-bound grantee accountability agreements make sense and can greatly help. But if donors are funding people trying to change

deep-seated attitudes or individual and institutional behavior, then they need to engage in a dynamic, long-term, and open-ended consultative process with them. Such processes have been a key to success in donors’ and grantees’ struggle against apartheid and other forms of discrimination, and in building entirely new kinds of organizations empowering the

poor here and around the globe. But few strategic philanthropy guides help donors learn how to be part of such relationships in a genuine partnership.

If the next generation of strategic philanthropy books does indeed focus on grantmaking from more than the grantor angle, I hope authors give attention to the following thorny issues: Does increased media scrutiny of our field lead some donors (boards especially) to feel more impatient for results and credit for those results, leading the organization to increase control over the use of its money and appear to discourage the grantee’s creativity? In other words, has the role of the quiet, patient, and responsive donor become less appealing? (I worry that this is too often the case.) What are the proper protections against donor-led strategic planning that imposes wearying and unnecessary demands on applicants and grantees? (Few grantors seem to have created a feedback loop to hear from applicants who think a “reasonableness” line has been crossed.) Which business practices transfer well into effective philanthropy and which do not? (Relentless bottom-line pressure for immediate results and branding re-



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quirements work in some types of philanthropy but can undercut the effectiveness of others.)

A few leaders have already started a conversation of this sort. Sheela Patel, founder of Shack Dwellers International and the Society for the Promotion of Area Resource Centres (SPARC), an organization of Mumbai pavement dwellers, noted recently at Harvard University's Hauser Center for Nonprofit Organizations: "Today, unfortunately, the conditions that allowed SPARC and its partners to succeed are changing. ... In the last 10 years, the whole financial architecture of philanthropy has changed. Something has infected most of the foundations and large NGOs that support us. Suddenly the virus of the 'log frame' [logic model] has stricken us. So now we have to pretend that in a period of two years, we can implement perfect strategies and produce complete solutions. ... Foundations today are increasingly treating organizations like ours as contractors in the delivery of their own visions. ... They make us contractors, not innovators."

Patel's observations deserve donors' attention, especially because so few grantees can risk biting the hands that fund them. This brilliant community and organizational leader believes that strategic philanthropy can be unduly intrusive and go too far, miniaturizing ambition and stifling creativity. I agree, and see too many examples of this.

Brest and Harvey's advice to donors could have explored this set of issues further. But I believe that their excellent text has laid a sound foundation for the next generation to do so. ■

It's the Destination

Review by Pamela Hartigan

THE BLUE SWEATER:
Bridging the Gap
Between Rich and Poor
in an Interconnected
World

Jacqueline Novogratz
272 pages, Rodale Press, 2009

If you don't know where you're going, any road will take you there, the Cheshire cat tells Alice when she asks for directions in

Wonderland. But what if Alice had known exactly where she wanted to end up, and just didn't know which road would get her there? That is the challenge that entrepreneurs with a social mission face every day.

In her autobiography, *The Blue Sweater*,

Acumen Fund founder and CEO Jacqueline Novogratz engagingly captures one such mission in need of the right road. In her case, she hopes to use the power of markets to achieve social transformation, primarily through providing economic opportunity to the poor and marginalized. Through the course of the book she proves herself one of the increasing number of "ordinary" people who accomplish the extraordinary through sheer courage, fortitude, resilience, and the pursuit of a mission much larger than any one person could ever accomplish in a lifetime. And her story might also provide the missing piece for those struggling to change the world: her great willingness to listen to, and learn from, all those she comes across during her journey.

Novogratz's journey begins as a new college graduate, when she joins Chase Manhattan Bank and flies around the world to review the bank's loans. She loves banking, but as it turns out, she loves the idea of lending to the poor even more, and Chase is not about to do that—this is the 1980s, after all. So despite the personal validation, prestige, and security offered by such an institution, she resigns to accept a position at a nonprofit that uses the platform of the African Development Bank (ADB) to foster local organizations that promote economic development in West Africa.

With no ability to speak French or knowledge of the region, and a huge dose of naïveté, she lands in Africa—first in Kenya, then on trips throughout the region. We follow her as she is rejected by the African women leaders who disapprove of having a young American woman in a central position at the ADB, when it should have been one of them. We accompany her to Rwanda, where she works alongside Rwandan women leaders to set up a microfinance organization and struggles to get borrowers to take their responsibilities to repay seriously.

It is this section of the book that probably most endears us to the author. There is her downright funny depiction of her "too American" attempts to convert shy Rwandan

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women into forward, aggressive sales agents at a local bakery where she was consulting. And she clearly shows us how she herself was transformed by the process of seeking to transform others, despite her admission that "we were getting our feet wet and didn't know exactly what we were doing." (How many times have we ever felt that way?) She comes to understand that economic development and social change cannot be imposed from without. They must be sought and grasped by the individual pursuing opportunities for self-realization.

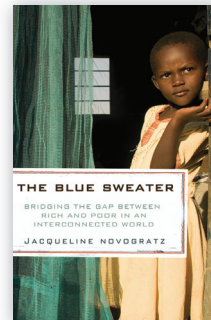
After her two-year sojourn in Africa,

Novogratz returns to the United States for a stint with the World Bank in Washington, D.C., ending up back in Africa, this time in Gambia. And here begins a tragic subplot, the massive waste of financial and human resources channeled by well-meaning development agencies. As Novogratz's experiences show, governments too often

derail the money intended to help the poor so that it ends up padding civil servants' pockets instead. This part of the book is not a surprise, unfortunately. That's because we have heard of—and many of us have witnessed—the outrageous corruption that occurs in the name of development.

The most gripping part of Novogratz's story comes next—after she has gotten her MBA from the Stanford Graduate School of Business and made her first official foray into philanthropy as a Rockefeller Foundation Warren Weaver fellow. She returns to Rwanda post-genocide, to the aftermath of the civil and ethnic war in which close to a million people lost their lives over a period of three months. Her efforts to discover for herself the fate of each of her Rwandan colleagues is simultaneously riveting, wrenching, and uplifting.

Novogratz's creation of the Acumen Fund is a logical next path in her quest to apply business principles to social change: The venture capital fund invests in social entrepreneurs working to help the world's poor. In this section she highlights the early years of the fund, its underlying principles, and her exposure to Asia, specifically to remarkable entrepreneurs who are my heroes, too: the late Dr. Govindappa Venkataswamy,



founder of Aravind Eye Hospital; Satyan Mishra, founder of Drishtee; Amitabha Sadangi of IDE-India; Tasneem Siddiqui, founder of Saiban; and Roshaneh Zafar, founder of the Kashf Foundation.

And there the book ends, its readers left wondering what path this “ordinary” extraordinary woman will take next.

So that they will succeed as well as she has in their own missions, I hope readers also take away that ultimately, the book is a wonderful lesson in the importance of empathy—not one that comes from a place of superiority, but one born from a profound humility and belief that from her to whom much is given, much is expected. ■

The Double Standard

Review by *Renée Irvin*

UNCHARITABLE: How Restraints on Nonprofits Undermine Their Potential

Dan Pallotta

312 pages, Tufts University
Press, 2008

Dan Pallotta has written *Uncharitable* as a response to every media report about a charity spending \$400,000

to raise \$1 million, every donor who wants at least 90 percent of her donation to go toward the cause, and every nonprofit executive director who eschews marketing for fear that donors will consider it extravagant. “Enough already!” the book explodes. And it does so with such good reason and blunt candor that it deserves to become the nonprofit sector’s new manifesto.

Pallotta reviews the frugal, almost prudish constraints the public expects from nonprofits, everything from a ban on paid advertising to substandard wages for nonprofit employees. But if we want the nonprofit sector to do without the successful tactics of the business sector—say, marketing—how can we expect the nonprofit sector to aspire to greatness? How will it ever grow, get results, and reach new supporters? Why, for instance, did the American Cancer Society spend only \$1 million on anti-tobacco legislation in 1998, when, during that same year, the five largest cigarette manufacturers spent more than 6,000

times that amount in advertising and promotions?

Not only must nonprofits be allowed to use the tools of commerce to thrive and accomplish their missions, Pallotta argues, but the public also needs to get over its mistaken and tenacious fixation on fundraising costs and overhead ratios. He goes on to show how misleading, easily manipulated, and plainly irrelevant these ratios are, and suggests we instead ask 16 questions that would reveal “What has the organization achieved, and what can it achieve with my donation?” Everyone who cares about nonprofit organizations and their potential accomplishments—from journalists to sophisticated donors to foundation officials—should read this section of the book. They’ll surely be convinced that fundraising ratios and program expense ratios are a silly, useless, and even fraudulent way to compare “efficiency” across nonprofit organizations.

Every nonprofit professional, meanwhile, should read Pallotta’s section on how nonprofits can use the power of advertising. If donors and staff members complain that “a dollar spent on advertising could have been spent caring for the needy,” he advises the nonprofit manager to explain that exposing new supporters to the cause could result in a tenfold increase in donations. Indeed, as John Kenneth Galbraith noted in *The Affluent Society*: “The engines of mass communication, in their highest state of development, assail the eyes and ears of the community on behalf of more beverages but not of more schools. Even in the conventional wisdom it will scarcely be contended that this leads to an equal choice between the two.”

Pallotta goes on to speculate why the public expects nonprofits to behave so differently from for-profits and points the finger at Americans’ Puritan heritage of self-denial and frugality. Perhaps the Puritans do have a moralistic hold on us with regard to nonprofit sector endeavors, but given the apparent absence of Puritan influence elsewhere in 21st-century America, I’m doubtful of this hypothesis. We economists would instead blame nonprofit sector managers who reassure donors that their money is well stewarded by signaling their steadfast fru-

gality. And sociologists would say that employees self-sort into a nonprofit avocation—that is, people uncomfortable with business-sector strategies and culture gravitate toward the nonprofit sector.

But whatever the underlying cause of the public’s belief that administrative costs are wasteful and overhead is bad, Pallotta believes we must speak up on behalf of nonprofits and educate donors on the necessity of not just administrative expenses, but all of the business strategies that can build the best launching pads for nonprofit endeavors.

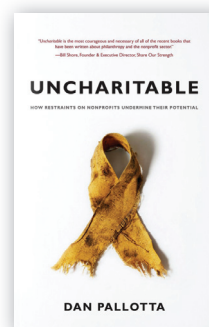
Pallotta ends the book with a case study

of Pallotta TeamWorks, the author’s own for-profit firm that was wildly successful in raising funds on behalf of nonprofit clients. In nine years of producing three-day walking and one-week cycling events, the company netted \$305 million for several health-related charities. But despite the massive new infusion of donations generated for

these charities, Pallotta reports that the press focused on the costs the events incurred, including those of professional marketing and branding—its message was, “Couldn’t that money have gone toward the cause instead? When negative media coverage didn’t stop, the nonprofits disassociated themselves from Pallotta TeamWorks and the firm shut its doors in 2001. The nonprofits eventually redeemed themselves in the eyes of the public, but without the revenue generated by the lucrative walking and cycling events, they were forced to lay off staff members and cut programs.

This case study is fascinating, and it will surely invite armchair quarterbacks to reckon how they might have handled both the media and the nonprofit organizations. The study also tempts us to write off the book as motivated by Pallotta’s bitter experience of being pilloried by the moralistic media for having managed his business like a business.

But that would be hasty. *Uncharitable* gives us much more than a tale of sour grapes. Pallotta has written thoughtfully and forcefully on why and how we limit the effectiveness of the nonprofit sector, and he asks us point-blank to change our thinking. For the sake of the nonprofit sector, I hope he succeeds. ■



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