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# STANFORD SOCIAL INNOVATION *review*

**15 Minutes**

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Ford Foundation

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## Susan V. Berresford

*President of the Ford Foundation*

### What is your theory of social change? And how do you apply that at the Ford Foundation?

As a practical rather than theoretical matter, I believe that most societal change begins when someone wakes up in the morning and is inspired or angry or otherwise determined to alter something in their world. Such people have an idea and decide to pursue it actively – they perceive something as unfair, needless, or simply out of date; they identify arrangements that they believe impede progress toward some ideal. If they are able to mobilize other men and women, they begin to build a force for change. Longer term, their energies flow into and animate organizational activity – into research, into bringing together larger numbers, into addressing policy and shaping public discussion. To sustain their actions and achieve real success, they will find ways to affect thinking and practice in the nonprofit, governmental, and business communities.

If that is the process of fostering social change, then foundations that want to be a resource for change makers need to respond to individuals, organizations, and initiatives in all three sectors of society. We try to do that at Ford, working with nonprofits, business, and government. We also frame most of what we do in terms of building “fields” of work, meaning that we try to help a variety of individuals and institutions work more effectively toward a common purpose. Healthy fields need people who care passionately about a problem or a set of issues and advocate for it in different fora; healthy fields need strong conceptual work and well-grounded research, and they need discussion about policymaking and best practice. Foundation grants have to span this range of activity, and teams of grant makers need a range of skills to understand and work with this variety of change makers.

### What is the difference between strategies for change and charity? How do we get there from where we are today?

Philanthropy can be divided into many categories, two of which are charity and strategic change. I believe both are extremely valuable, and I sometimes worry that people who see themselves as professional philanthropists denigrate charity. They may see it as out of date and wasteful, because it does not address the root causes of problems. But charity – giving to address immediate needs and alleviate suffering – shores up many essential activities of nonprofit groups. Many disadvantaged people depend on free clinics, food banks, community centers for elders and kids, and other such services. Societies are imperfect and always have some families and people in need, and donations for these purposes are essential. So let us not fall into knee-jerk critiques of charitable giving.

But we do need strategic giving as well. We should not live forever with problems we can solve. Foundations and other donors can support people with ideas about new solutions – this is what I mean by strategic philanthropy. It is an honorable and important tradition with a long history of donors helping cure diseases, build new types of institutions such as public libraries open to all, and educate the public about foreign affairs to overcome destructive isolationism.



**“We should not live forever with problems we can solve.”**

**A frequent complaint from nonprofits is that their number one priority is stable, long-term funding – and that foundations fail them on that.**

**How do you approach that issue at the Ford Foundation?**

If a foundation is going to be strategic in its philanthropy, it will over time support a changing cast of organizations. Change is never linear and change strategies frequently require modification. The most important measure for

strategic change donors to adopt is a healthy allocation within grants for overhead and administrative support. That can help address the organizations’ need for stable operational support, and get away from overly “projectized” grant budgets.

At Ford, we provide a range of grants – some for general support, some for projects – but almost all project grants come with overhead, usually around 10 to 15 percent. We have stuck with some organizations in

fields we think are particularly important for decades, but we also make sure that each year we have a cohort of grantees who have never before received Ford Foundation funding. In the last few years this “new” category has been about 16 percent of our grantees.

**You have mentioned that Ford works with business and government as well as nonprofits. How do such partnerships work in practice? Could you describe a successful one – who initiated it, managed it, and its results?**

Let me give an example of a major initiative that illustrates how Ford works in all three sectors. A few years ago, we made a set of grants that totaled \$52 million. Most of the funding went to the Center for Community Self-Help (CCSH), which brought us a very promising idea. CCSH had run a program in North Carolina which showed that very low-income families with credit scores below those usually approved by banks could take out a mortgage, buy a house, and maintain mortgage payments. Since home ownership can be a crucial way for a family to build assets, we found this a very appealing idea to reduce poverty among very low-income families with some credit problems. If it worked, banks and secondary market organizations would alter their practices.

CCSH’s dynamic and entrepreneurial leader, Martin Eakes, asked Ford to help him take the North Carolina program to the nation, offering to work with banks across the country that would offer new kinds of loans – with CCSH then buying the loans and ultimately selling them to Fannie Mae with a Ford-backed guarantee for a portion of the losses that might be incurred. This was an interesting com-

bination of an experienced grantee who wanted to expand his organization’s reach to help a larger set of low-income beneficiaries that also included business sector engagement and governmental policy.

We are now three years into the 10-year demonstration, which we are following closely. To date we have found that low-income black and Hispanic families and women are enrolled in the program far more than in other similar efforts, so we are reaching our

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**“There are times when a rational analysis doesn’t seem to quite get to the heart of the matter – when your gut seems to tell you something else.”**

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key populations. In addition, we have seen that delinquencies are not producing high loss rates and less than 1 percent of mortgages have been foreclosed. These are early findings after only a few years, and the extended downturn in the U.S. economy is clearly putting the program to a tough test, but we are optimistic.

**What do you think of “venture philanthropy?”**

Like all forms of philanthropy, venture philanthropy has pros and cons. The principal negatives I sometimes hear from grant recipients are an intrusive and controlling style of interaction and a demand for compelling near-term results. These problems occur when aspects of the venture capital

model are taken into the nonprofit world without regard to its different culture or characteristics. In the for-profit world, many venture capital funders are accustomed to sitting on the boards of the companies in which they invest and playing a strong role in strategic decision making. In the nonprofit world, organizations often welcome a strong partnership with funders. At the same time, they want to control their own decision making and have some insulation from funders’ hands on the steering wheel. Similarly, the business community often needs near-term positive results in order to continue building enthusiasm and further investment in the company’s product or services. In some areas of social change, evidence of shifts in a positive direction comes slowly, often after years of unrewarding struggle. Work in the human rights field, for instance, can have this character. This slow return on investment can make “venture philanthropists” impatient.

On the positive side, venture donors often take a broad view and analyze what resources are needed – human, financial, and other – to have a shot at positive change. They look beyond the specific activities the applicant proposes to see whether the management system, the legal questions, the political issues have been carefully considered. If there are gaps, they are often willing to step in and help fill them. The venture donor is often also ready to be an active spokesperson for the initiative. Grantees value this aspect of the partnership, because it helps them reach into places and communities to which they may not have had prior access. Finally, the flip side of my point about expectations for near-term results is that venture donors focus on benchmarks – to my mind a healthy exercise in our line of work.

I think we are often very good at describing the long-term result we want from our grants, but not so good at describing the short-term changes we expect from a series of grants that will ultimately contribute to the larger change. It is healthy to spell out a series of assumptions that underlie grants – if we fund this, then we hope that something particular will begin to change. Specifying expectations and benchmarks lets others see if they agree and gives you a check on progress. It always leads to healthy debate.

So venture philanthropy brings many positives to the field. But I am not sure it is a new form of giving. Our field has had strategic, broadly focused partnership models of giving long before the term “venture philanthropy” arose during the dot-com revolution, with all the new donors who made fortunes in this period. In some ways it is quite useful that we now have a name attached to the practice so it can be examined and discussed.

### **What is the biggest misconception about foundations?**

One of my colleagues in this field once said that philanthropy is a “do-it-yourself” business. That’s right – or at least, it starts that way. We all give to groups and causes we care about. We write checks, donate time, and dig into our pockets for these concerns. At its origins, philanthropy is simple and natural. But many people extrapolate from that to assume that what we do in foundations is easy. They appear to have a picture of grant makers sitting at their desks, opening their mail, and sorting requests into two piles – yes and no. They see it as a matter of applying guidelines and making quick judgments. It doesn’t seem difficult.

The reality is quite different. Good grant making in professional foundations often involves deep engagement with applicants to hear their ideas, to see their work on the ground, and to strategize with others that work in the field. It requires follow-up – visits to kick the tires, making connections between grantees and others, evaluating results and rethinking strategy in light of new realities. All that means a certain amount of time and a range of staff capacity. It

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**“Some picture grant makers sitting at their desks, opening their mail, and sorting requests into two piles – yes and no.”**

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also means maintaining relationships over time, exploring new ones, and getting to know grantees’ realities. Finally, in my experience, it means a tolerance for ambiguity, complexity, and occasional tensions in relationships; it requires an ability to sort through mixed results to identify strategies that have the best chance for success. Best practice also requires key back-office functions of monitoring grant expenditures and legal review to ensure compliance with relevant laws and regulations.

### **Do you have a favorite quotation or saying that helps you in your approach to your work?**

I don’t have a particular one, but there are ideas people have offered me that I often return to. Just before I became the foundation’s president, someone

cautioned me not to shy away from very ambitious goals, even those that might seem nearly impossible to achieve. This person noted that it was good to remember how pervasive slavery was around the world, not very long ago, and how hard it was for many people to imagine that it would be eliminated. So many justifications for slavery were widely accepted, and so much economic activity supported it. But courageous acts of defiance, of humane intervention, of principled leaders in thought and action combined with other forces to bring about change. It is vital that we remember the ways that foundations can help people and institutions prepare to be courageous and imaginative in the search for justice.

Another source of help has been reminders to “trust your gut.” We all do a lot of analytical thinking and reading and exploration. We are careful and rigorous because we are managing money that involves a public trust. It is not our money; it is there to advance the common good. We want to be careful and effective stewards. But there are times when a rational analysis doesn’t seem to quite get to the heart of the matter – when your gut seems to tell you something else. At times like this, I remember this advice, slow down, and try to understand what my instinct is telling me. I have learned over the years that giving such reactions their due is often the first step toward better judgments and decisions. □

Video and written training materials for grantors are available through “GrantCraft” on Ford’s Web site at [www.fordfound.org](http://www.fordfound.org).