Metrics Mania: The Growing Corporatization of U.S. Philanthropy

by Alison R. Bernstein

Nonprofit leaders have long been told to behave "more like a business" and the corporatization of higher education, where I now labor, has gotten critical attention. But these issues are still not widely discussed in philanthropy, where I once toiled, except by a few intrepid souls who study and critique the field.

In the 1960s, the Ford Foundation was the largest and most widely emulated foundation in the world. I am told that we never threw money out the window in those days but the whole atmosphere had a Mad Men quality to it and there were many big, unstrategic initiatives that provided general funds to colleges and universities without requiring proposals or benchmarks or evaluations. For many higher education institutions, those were the good old days. Ford looked and felt more like Harvard than Harvard. But there were some policies and practices then that, looking back, weren't as pernicious as some of the policies and practices now. I'll return to that idea later. First, some history.

At the turn of the 20th century, Andrew Carnegie, the steel magnate, and John D. Rockefeller, of Standard Oil, vied with each other for the title of the world's richest man. In 1911, Carnegie established his foundation and even gave it a mission "to promote the advancement and diffusion of knowledge and understanding."[1] Not to be outclassed, Rockefeller endowed his foundation a mere two years later and claimed with some legitimacy to have launched the first global

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foundation. Rockefeller, as his biographer, Ron Chernow put it, "was greatly influenced by Carnegie,"[2] who nearly 20 years earlier, in his influential 1890 essay, "Wealth," wrote, "the man who dies thus rich dies disgraced."[3]

Most scholars of American philanthropy would agree that the model provided by these two corporate titans set the tone for others of vast wealth who chose to become philanthropists in the first decades of the 20th century. What makes their philanthropy so intriguing to us today is the fact that both Carnegie and Rockefeller were deeply religious, and that they saw giving away money as important as making it. They were influenced to take up philanthropy by their theological understandings and their trusted advisors who, were, for the most part, even more formally religious than either Carnegie or Rockefeller. Both were consummate capitalists who took no prisoners in their business dealings while practicing a philanthropic generosity that was motivated by spiritual concerns and Christian values. After all, there were no tax advantages to either man when they began to make a name for themselves, not only as the richest men in the world but also the most charitable.

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After World War I, as more new multimillionaires emerged, so did their philanthropies. The Charles Stewart Mott Foundation was created in 1926; Kellogg in l930, Sloan in 1934, and Ford in 1936. Not even the Great Depression slowed the pace.

The religious motivations of the founders of these major national foundations were not as evident as Rockefeller's. Still, the idea of philanthropy was not foreign to Henry Ford, who went to church every Sunday and was not above rewarding his automobile workers for "clean living behaviors."[4] What set this newer generation of philanthropists apart from the earlier generation was the rising influence of corporate managers on their boards. Previously, educators, family members, and ministers held sway on major philanthropic boards, but that pattern began to change. For example, when Alfred P. Sloan created his foundation in 1934, he recruited to its board of trustees a number of executives or former executives of the General Motors Corporation, which he had led beginning in 1923. When Robert Wood Johnson established his foundation in New Brunswick, New Jersey, the majority of the members on his foundation's board were executive or former executives of his company, Johnson and Johnson, and the remainder of them from the wider business world.

As the influence of ministers and educators declined, and as businessmen increasingly replaced them, certain other practices changed as well. For example, the focus of the specific philanthropy began to lean toward activities those corporate leaders knew best. For example, technology and engineering became the hallmark of Sloan's giving, and health became the singular focus of Robert Wood Johnson. This was a stark contrast to Carnegie's philanthropy, which focused primarily on creating public libraries or Rockefeller, whose early priorities included access to higher education for African Americans. Neither of these priorities had much to do with how these robber barons made their millions. Equally important, increasing the numbers of businessmen and the sheer amount of corporate

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knowledge on the boards of newer philanthropies had the effect of making these new non-government and non-profit sector entities adopt practices and policies that were more business-like in their implementation. Nonetheless, the rather impermeable firewall that separated foundations and the corporate leaders who gave rise to them remained fixed for much of the 20th century. The businessmen were called upon to make policy on investments, endowments, and management and governance, but they were seldom seen as program leaders. Through the 1990s, for example, leaders of Ford, Carnegie, Rockefeller, and Mellon were still chosen largely from academe, and the chairs of their respective boards tended to represent the nonprofit world as well.

The good news is that Bill and Melinda Gates have picked up the mantle left behind by the Carnegies, Rockefellers, Fords, Mellons and others who chose not to sit on their vast wealth but use it to advance human welfare. Their generosity should be saluted and valorized, and their recent efforts to get other wealthy individuals to "take the pledge" is extremely admirable. When the Gates Foundation was selected by Warren Buffet as the place to park his $31 billion in 2006, the size and scale of the gift was unprecedented.[5]

Two other good news items about Gates that deserve our attention concern its commitment to working with the poor and on issues of health and education, not only in the U.S. but also in the developing world. There is no single foundation that has done more to help combat the spread of malaria, AIDS, and tuberculosis in Africa and other parts of the developing world than Gates.[6] In the U.S., no other foundation has devoted more support and money to improve public schooling through small schools and teacher development and improve higher education retention.[7] Gates' recent focus on getting more students who enroll to complete college has been a timely and important spur to government action at the federal and state levels. No one, least of all this former philanthropoid, can take issue with Gates' emphasis on solving systemic problems such as these. The problem of corporatization that afflicts Gates is not one of choosing trivial or irrelevant topics upon which to spread its name or "brand," but rather how it carries out its grantmaking agenda.

Corporatization is important because it is rapidly becoming the preferred way of doing the "business" of grant making and it is influencing both new and older foundations, large and small, in ways that I believe may undermine the diversity of the philanthropic world. Just to put all of this in context: there are approximately 72,000 foundations in the U.S., half of which have been created in the last 30 years.[8] This explosive growth in philanthropy is proof that numerous individuals got very rich during the Reagan Revolution. In looking for models of how to give away money, more and more corporate givers, family foundations, and community trusts are modeling themselves along the lines of Gates, not Ford or Mellon. The question is why? Why do they think Gates is a more effective model? Why is large-scale grantmaking intrinsically better than carefully scaled efforts to make a difference? Why are leaders and practices from the corporate sector preferable to those of the nonprofit sector? Why are phrases like "strategic grantmaking" dominating the discourse of the day? (Parenthetically, would anyone proudly claim to be an unstrategic donor?) And where is evidence that this is happening? Let's start with branding.

The question is why? Why do they think Gates is a more effective model? Why are phrases like "strategic grantmaking" dominating the discourse of the day?

Prior to choosing Luis Ubinas, the current president of the Ford Foundation, its board wasn't concerned with standardizing its fonts and logos across the world. In terms of letterhead, business cards, and other printed materials, white paper and black block letters seemed to be the least obvious or offensive way of getting our name out or being known. It was also perceived as a "plus" that Ford did not "toot its own horn."

We're in color now. And we have a logo all our own, also in color and symbolizing a sort of globe which is both open and closed at the edges. What makes these images more important is that the logo is used by our offices throughout the world. The office in China doesn't do its own graphics in its own way – there is now a standard format.

Similarly, the old "book of record," boring and chock full of lists of grants, lists of personnel, and black and white photos, has been replaced by a cocktail-table book. Lots of photos and graphs. No lists of grants, no lists of staff. Where did they go? Like most other foundations, Ford chose to put it on line. The book of record has been transformed into a publicity document, the equivalent of a college view book.

Finally we have a new catchy mission statement. It reads, "Working with visionaries on the front lines of social change." I draw your attention to two aspects of this single sentence summary of what Ford does: we work with *visionaries*, not your average Joes or problem solvers, and we are right up there on "the front lines." Just so you don't think the transformation I am describing had no antecedents, there was a 1995 mission statement that went like this:

If you know the field and have been a part of it, you are regarded as "part of the old guard," too tied to the past to make proper, tough reform decisions.

"A resource for innovative individuals and institutions worldwide."

The word resource was debated a lot since we didn't want to suggest that the only thing we did was give away money. We also offered technical help, advice, forums to bring disparate folks to the same table. But make no mistake about it—we were not working with visionaries on the front lines. They may have been there but we were elsewhere. And, that's how the Ford Foundation leaders in those days liked to consider themselves: donors helping the ones actually doing the work. Now, we are the change agents, too. The role of philanthropy is certainly conceived in a more active way and it needs people who know how to get things done. And this brings me to the new managerialism.

Getting things done is what makes a leader effective in the corporate world, and, these days, getting things done is the key to success in many other worlds as well. Indeed, as the recent flap over choosing a new chancellor of public schools in New York City suggests, Mayor Bloomberg believes that if you are a good manager in the media world, it's easy to translate those skills into running the largest education district in the country.

"New managerialism" appears to be the catch-all phrase to cover a shift that transforms knowledgeable leadership into decisive managing. What used to be a prerequisite for a candidate—namely, knowledge of the company or the sector—is now a liability. It's not an advantage to know the terrain or the people who inhabit it. If you do, you are likely to be less, not more, effective as a manger. You won't be able to make hard decisions that could affect the lives and livelihoods of your employees. Or, if you know the field and have been a part of it, you are regarded as "part of the old guard," too tied to the past to make the proper, tough reform decisions. New managers are often prized for their outsiderness to the culture of the institution so what used to be a liability in a search process (what does he/she know about whatever the topic, public education? nonprofits? philanthropy?) is now a marker of independence and the ability to see things with a fresh eye.

This phenomenon of choosing managers from the business sector for key philanthropic leadership roles has been growing in the past few years. The selection in 2007 of Ford's new president, Luis Ubinas, a long time managing partner of the consulting/management firm, McKinsey, was the most celebrated, but by no means the only example. The fact that Jeff Raikes, a long time corporate leader at Microsoft, became the head of the Gates Foundation is indicative of the trend. New managers in philanthropy claim that they are more sensitive to the econom-

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ics of the institution while increasing efficiency and effectiveness.

While no one can dispute the importance of knowing the "figures" and trying to make an organization as efficient as possible, efficiency in and of itself in grantmaking isn't always the most important factor in determining what to fund. One interesting example of the recent trade-offs that have been debated in philanthropy is whether to shut down the process of reviewing unsolicited proposals—those that fly over the transom. There are strong arguments that unsolicited proposals are a waste of the applicant's and the reviewer's time and an inefficiency, because fewer than 10 percent ever get funded. On the other hand, driving toward efficiency in the review process by eliminating this opportunity to submit something that hasn't been requested sends a message that people in the field don't have access. That's just one example of the danger of over-valorizing efficiency at the expense of openness.

A far more troubling aspect of the new managerialism is its insistence on what Professor Gaye Tuchman of the University of Connecticut calls "coercive accountability."[9] This is the idea that an organization and its grants can only be effective when it arrays all the data that are known or can be measured by a metric and make decisions based on that metric. But the metric by its very nature only measures what can be measured and thus it is a proxy or an incomplete indicator of what is actually happening.

Real, lasting change cannot be reduced to a single metric. Changing a culture or an institution is typically too sloppy, random, never-ending, and elusive to be captured by a mathematical formula or metric. A legendary example of a failed metric in higher education philanthropy, for example, was a report that argued in the late 1960s that college level placement exams were a failure. They were available but were not being used. Of course, they had only been available to traditionally aged students. But when older students started coming into higher education in the 1970s, CLEP became ubiquitous, a household word and the innovation eventually deemed a success. An obsessive, technological approach to measuring impact and measuring effectiveness can be highly problematic in philanthropy, especially philanthropy that is concerned with progressive social change as opposed to improving a specific outcome, like reducing disease by inoculations or distributing malaria nets.

Before 2001, accountability was a concept used by philanthropists to indicate their acceptance of the various responsibilities of the key regulators and responsible parties in the sector. These include the federal government, especially Congress and the IRS, state governments, especially attorneys general, and of course, the boards of these philanthropic entities. Staff at all levels of the Ford or Carnegie or Mellon Foundations was accountable for what we did with the money—most particularly, how we spent it. Because we didn't have stockholders, however, we did not have to pursue a holy grail of the bottom line.

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Since 2001, new ways of thinking about accountability have begun to emerge. A new entity, the Center for Effective Philanthropy (CEP), was launched in 2001 by two Massachusetts Institute of Technology alumni who offered a different kind of accountability – to our clients (i.e. grantees). The mission of CEP was to enable a foundation to become more transparent to this group. In 2003, CEP produced The Grantee Perception Report, a survey that promised anonymity to informants (grantees) who would, for the first time, reveal how foundations performed their funding role relative to other foundations. And the phrase "relative to other foundations" was the breakthrough idea.[10] The grantee perception report would collect comparative data using similar metrics so that one foundation's responsiveness could be plotted against another's. Never mind that the different approaches or missions varied. On this single scale of "perception," all were the same. Suddenly, there was a new philanthropic bottom line—customer satisfaction—that cut across all of foundations.

I believe this was a first salvo into the realm of coercive accountability, but it surely isn't the last. Another example of coercive accountability is the move to compare investment returns across a small set of large foundations. In the past, boards of trustees reviewed investment returns and asset allocations according to a set of internally generated principles and policies. The key question was "were we doing well relative to our own benchmarks?" Now investment staffs are judged by an external set of metrics that compares this elite group of foundations based simply on formulaic returns.

An even more difficult challenge is the assumption behind what is being called "strategic philanthropy." This phrase implies that the donor not only knows the problem it seeks to help solve but also how best to solve it. (By the way, the fact that donors think they know the problem is also troubling; they are funding less social science research into what the problem really is, but that's another issue for another day.)

I want here to focus on the process applicants are being asked to undertake to get a grant. This new process requires them to draft and re-draft proposals so that they fit the philanthropist's sense of what works or should work in any given setting. As one grantee anonymously put it, "Foundations have become more focused on developing pre-set portfolios of projects, managing risks, and producing outcomes rather than listening to communities… with their new strategies and staff, foundations are increasingly treating NGOs like ours not as innovators but as contractors who are hired to deliver donors' visions of what needs to be done."

The fact, for example, that strategic philanthropies see no conflict of interest in having their staff serve on the boards of grantees just helps to underscore this observation. Strategic philanthropy thus shifts the focus from the grantee's goals to the foundation's agenda. This inevitably requires the grantee to be accountable for meeting certain benchmarks and outcomes predetermined by the donor. The fact that the donor determines what the metrics are is just the tip of the iceberg. The problem lurking underneath is, as the former president of the Ford Foundation, Susan Berresford, put it, "Most strategic philanthropy planning exercises involve using benchmarks to measure progress. But sometimes data miniaturizes ambition because they focus on what can be measured in the near-term, not what might be the most important long-term goals."[11]

Berresford, in a provocative essay, quotes a former AID staffer who jokingly referred to this phenomenon as "obsessive measure[ment?] disorder."[12] While data, benchmarks, and certain metrics can be useful in auditing and accounting for impact, none of them can fully replace experience, judgment, values, trust, and continuous feedback from grantees as decision-making guides.

The challenge posed by metrics mania and false bottom lines is the assumption of a one-size-fits-all model. Foundations are too diverse and the problems they hope to address effectively are too complex to be reduced to a metric model. Of course, short-term evaluations and metrics can tell you how many students enrolled in higher education or earned a degree, but not how this person's life has changed or if it has changed for the better. For that, we need less coercive accountability and more collaborative affirmation in philanthropy. nea

ENDNOTES

1. Carnegie Mission Statement, **http://carnegie.org/about-us/mission-and-vision/**.

2. Ron Chernow, *Titan: The Life of John D. Rockefeller.*
3. Carnegie, *Wealth.* (In 1908, at the age of 73, Carnegie recorded a portion of his famous essay, later known as *The Gospel of Wealth*. To hear it, visit **http://historymatters.gmu.edu/d/5766/**)
4. From 1914 to 1918, the Ford Motor Company's "Social Department" made sure that Ford employees met organizationally determined standards of private behavior, such as abstention from alcohol. This was not unusual for businesses of the time.
5. Carol Loomis, "The $600 Billion Challenge," *Fortune Magazine,* June 2010. Also see *The Giving Pledge* at **www.givingpledge.org**.
6. "The Power of Now," Institute for Philanthropy.
7. Joel Fleischman, *The Foundation: A Great American Secret; How Private Wealth is Changing The World*.
8. Ibid.
9. Gaye Tuchman, *Wannabe U: Inside the Corporate University*.
10. "*The Grantee Perception Report*," the Center for Effective Philanthropy.
11. Susan Berresford, "What's the problem with strategic philanthropy?"
12. Ibid.

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