THE PSYCHOLOGY OF PHILANTHROPY IN TOUGH TIMES

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From the mammoth Gates or Bertelsmann Foundations, to the smallest family foundation a middle-class couple runs out of their home, philanthropy works because of people - the people staffing foundations, as well as people running nonprofit organizations doing much of the work philanthropic resources make possible. Many people working in philanthropy now face great changes resulting from the current tough times. How well they’ll continue to do their work will depend significantly on their psychological health in responding to these changes. Yet this human element often gets missed, or at least downplayed, in strategic philanthropy.

Flawed strategic planning, impulsive action, mind-numbing anxiety, physical illness, depression and burnout are just a few of the well-documented reactions human beings have to massive change. For people in philanthropy, current patterns of change include reductions in grantmaking due to decline in the assets of many foundations, having to make tough decisions about what grants or programs to continue, and in some cases staff layoffs and other contractions within foundations themselves. Continuing effectiveness in philanthropy despite these negative circumstances of course means good leadership and administration, finding clever ways to do more with less, and being more strategic with remaining resources. But there are also psychological approaches that can make a difference:

* dealing directly with the stresses, fears and resistances that are an inevitable by-product of massive change, both for foundation staff and for people in grantee organizations and communities

* helping staff (and the foundation as a whole) to learn to live more comfortably with the many inherent contradictions in their work - for instance that today’s philanthropy often combines tough cost-cutting, triage strategies that de-fund nonprofits seeming to have lower survival potential, and vigorous commitment to causes and communities

* improving the effectiveness of collaborations, both within philanthropy and in the community - addressing their complex human dynamics, making them more strategic, and evaluating how well they work so better decisions can be made about which ones to continue supporting in tough times

To deal with the psychological by-products of change, I’m not advocating turning foundation conference rooms into group therapy settings, or catering unreasonably to more ordinary anxieties - for which individuals can take responsibility in their own ways. I am talking about paying attention to stresses, fears and resistances (and how to deal with them) as part of overall philanthropic strategy. And I’m talking about bringing to the table some interventions that might help - making stress management seminars or self-help support groups available for foundation staff, setting up a staff committee to formulate a plan for addressing these “human by-products of change,” and getting outside consultation on the subject when appropriate.

Enlightened leadership in foundations never would regard these human aspects of change as trivial, but their potentially devastating impact is sometimes underestimated. The truth is that most
massive change efforts, whether planned or in response to outside pressures, do not turn out very well. We can take instruction from the business world on this subject. For instance, in his 1995 *Harvard Business Review* article, "Why Transformation Efforts Fail," Harvard Business School professor John Kotter reports results of his decade-long study of total quality management, re-engineering, rightsizing, restructuring, organization-wide cultural change and corporate turnarounds in 100 companies: "A few of these corporate change efforts have been very successful. A few have been utter failures. Most fall somewhere in between, with a distinct tilt toward the lower end of the scale." And many of these failures were caused in least in some part by lack of attention to the complex human dynamics of change.

Even more to the point: MIT's Michael Hammer, the leading "guru" of re-engineering, estimates that 2/3 of all re-engineering interventions have failed, mostly due to staff resistance. Human beings' innate resistance to change is "the most perplexing, annoying, distressing, and confusing part" of re-engineering, says Hammer. Resistance to change "is natural and inevitable. To think that resistance won't occur or to view those who exhibit its symptoms as difficult or retrograde is a fatal mistake... The real cause of re-engineering failures is not the resistance itself but management's failure to deal with it."

Contradictions (like life and death) abound in the world, and learning to live with them comfortably is a sign of good mental health as well as organizational well-being. And while there are many strategic, management-driven ways to respond to the contradictions of change, one of the most important is in fact a psychological response - a re-framing, a figure-ground reversal that lets us see these events in a larger perspective - one that doesn't automatically search for ways of eliminating contradictions, but rather embraces them as a fundamental part of our existence, mirroring Walt Whitman in “The Leaves of Grass”:

> “Do I contradict myself?  
> Very well then I contradict myself,  
> (I am large. I contain multitudes.)”

First, embracing contradictions means giving up the age-old Western, and especially American, quest to find simple answers to inherently complex problems. There are seldom clear-cut answers, yet we must continue to act, and try to find a way to live with these complexities we can’t solve in our traditional American “can-do” fashion. Philanthropy’s long-time obsession with funding “innovative programs” rather than proven, effective programs that might not be so new or glamorous, is a part of this.

Second, it means accepting that a basic principle of pharmacology applies to all philanthropic strategy - any intervention that has a powerful main effect also has powerful side effects. This doesn’t mean not to act, but it does mean looking up front at how to manage these side effects, rather than assuming we can somehow escape them.

Third, embracing contradictions means acknowledging that while the world has changed dramatically since September 11 and the current economic downturn, in truth many sea changes in philanthropy were already well-underway before the end of 2001. And that some of these changes, even if painful, are also good in that they can increase the overall effectiveness of philanthropy.
Fourth, embracing contradictions means accepting that much about the world hasn’t changed - in particular, the complex, but predictable, human reactions to uncertainty and to the necessity for change, which haven’t changed for thousands of years. As Herman Hupfeld’s song so famously said in the film Casablanca, “A kiss is still a kiss, a sigh is still a sigh - the fundamental things apply as time goes by.”

All of this can help re-frame the way foundation leaders think in putting together philanthropic strategy. Management science can be a part of new thinking, for example in the scenario building approach of Peter Schwartz’s The Art of the Long View; in Peter Drucker’s alerting us to how demographic more than technological or economic changes will drive the new order of the world, as in his recent Economist article, “The Next Society;” and in Peters and Waterman’s principle from In Search of Excellence (does anybody still remember that one?) - that effective management involves “simultaneous loose-tight properties.” Even work on spirituality might be part of it - for instance, as Ken Wilbur says provocatively in A Brief History of Everything, postmodernism means that we are co-creators of our world, and that we can look to the ancient wisdom traditions for principles about how to respond to that realization in everyday living and action now.

Regarding collaborations, which have become enormously popular in philanthropy and in the nonprofit world, the underlying message is the same - to increase effectiveness, pay more attention to their human elements. There are many resources that can help foundations think much more strategically about the collaborations they so often stimulate in communities. Just as two for instances: in a recent study of nearly 100 partnerships in nonprofit arts for the John S. & James L. Knight Foundation, we found many strategies for addressing the “human side” that could and should be more widely shared, as opposed to people starting all over each time in creating and sustaining a collaboration. And in a new book, Evaluating Community Collaborations, due out this fall from Springer, we posit that collaborations need to be evaluated, using approaches specifically designed for these often-fragile, idiosyncratic social systems, both to judge whether they should continue to receive scarce resources and to improve them.

A concluding thought: in an era where venture philanthropy approaches are so prized, we need to be careful not to over-estimate the ability of staff and boards of foundation to manage change, even though they increasingly define themselves primarily as “agents of change” in their philanthropic work. The troubled merger of management gurus Stephen Covey’s and Hyrum Smith’s companies is just one example. I don’t even want to talk about all the psychologists in therapy. “The cobbler’s children who have no shoes” is a cliche that sticks around because it keeps on reflecting the truth - people who are identified as experts on change often are not that good in handling change within their own organizations, or the psychological by-products of change inside their own heads!.

At the same time, the one resource that hasn’t diminished during the current tough times for philanthropy are the intelligent, highly-motivated people who work in it - and that resource needs to be husbanded just as much as a foundation’s asset base. And foundations need to facilitate the same for the stressed-out, at-risk people in the nonprofits and communities they work with.

For this special group of philanthropic leaders, I feel sure that most of what I’ve just said is nothing more than a reframing of what you already know ... but that may be of some value. As the great American actress Helen Hayes said: "It's what you learn after you know it all that really counts."