I got into philanthropy about 15 years ago, as part of my Institute’s overall work involving the applications of behavioral sciences to handling innovation and change in communities. The specific focus of our earliest work, supported by the Maternal and Child Health Bureau, was on the dissemination of innovations from foundation grantmaking in the health area.

That led to five years of work with the Ewing Kauffman Foundation in Kansas City, as they moved from being an operating to a major grantmaking foundation, and included writing a book Kauffman published, *Dissemination and Utilization Strategies for Foundations: Adding Value to Grantmaking*. In turn this resulted in work with health foundations, including five years helping The California Wellness Foundation develop dissemination strategies for each of its first major grantmaking initiatives.

What motivated me powerfully from the beginning was the capacity of philanthropy to focus small but completely discretionary resources quite strategically on the levers of change. Our 44-year-old Institute, which was founded by one of the Society’s pioneers, Ed Glaser, had long worked with Federal agencies in health and social services, most of which have vast resources dwarfing those of even the largest foundations.

But as I began to understand better the culture and history of philanthropy, guided by some early interactions with the legendary foundation scholar Wally Nielsen, with whom Kauffman sent me to study in New York City, I was struck by the potential, much of it only partly used, of philanthropy to move beyond limited resources to address change in ways that have a heavily psychological component.

In our research and consultation since with many foundations, on topics ranging from capacity building to evaluation to community-driven change initiatives, I’ve continued to be a “student of philanthropy,” including observations about the psychological elements of change within foundations - our years of working with Kauffman, The California Wellness Foundation, The California Endowment, and the John S. & James L. Knight Foundation, as these foundations have undergone major transformations, have been an important part of that learning process.

About two years ago, I was invited to join the International Network on Strategic Philanthropy, which again focused my attention on how philanthropic strategy addresses the larger issues of change, this time with the viewing lens of activities in many countries. My work with INSP has focused on a heavily psychological topic: stakeholder interactions in philanthropy.
At about the same time, we began working with the Annie E. Casey Foundation on their place-based philanthropy initiative, which has led to a series of research studies focused specifically on philanthropic strategy, including those of individual donors. All of this work is now coming together under what I’ve come to call the “psychology of philanthropy and community change.” It’s a way of thinking about philanthropic strategy that places emphasis on its psychological dimensions - of foundation leaders, individual donors, and of communities and organizations within them as they respond to the work philanthropy does.

After 15 years, I’m still a student of philanthropy, and I make no claims that I’ve solved all the many mysteries and contradictions of how foundations or individual donors do their philanthropic work. But as I try to bring principles of organizational psychology and theories of change to practical application in this particular world, following Kurt Lewin’s dictum “nothing is so practical as a good theory,” I think there’s something here worth following up on, to bring a more of a systems approach to the change work philanthropy does, and thus to increase its impact on various human problems.

The mission of philanthropy is to help create change in the community. Since their financial resources are small compared with government’s, both foundations and individual donors stimulate major change through the leverage that comes because they can use those resources with few constraints, and through the ability to convene the community for planning or action-taking. Thus philanthropic strategy is inherently psychological, from the era of Rockefeller and Carnegie to today.

Behavioral sciences can contribute to foundation and donor strategies in many ways - by increasing understanding of how stakeholders “come to the table” to advise foundations on their grantmaking, by helping families wrestle with the complex human dynamics surrounding their giving, by identifying ways foundation staff can survive the same tough economic times as for many of their institutions, and so forth. These approaches can be applied through systematic studies of philanthropy, and through technical assistance to foundations, donors, and the infrastructure assisting them (academic centers, trusted advisors, membership associations, etc.). The rapid growth and increasing professionalization of philanthropy make such applications both more feasible and more critical to mission performance.

Philanthropy is psychological because foundations and individual donors can set any bottom line they want - so donor intent and its psychological aspects more critical than for government or private sector - or even for the nonprofit sector, which is mission driven in a very different way. The human element is important in all these, of course, but it is much more directly influential in philanthropy. The independence of philanthropy, in fact, is the very reason why sustainable change in philanthropic practice can be so difficult - one philanthropist need never change because another has.

But there are some pressures coming to bear that may make focusing on a psychological approach to understanding philanthropic action more critical. Katharine Fulton and Andrew Blau of the Global Business Network assert that there are two main trends that will shape the future of philanthropy: first, its continued growth and diversification because of the coming transfer of wealth, and second, the growing internal and external pressure to demonstrate that philanthropy is successful and makes a difference. The current economic conditions requiring foundations to cut their giving just adds to this pressure.
However, philanthropy as a field seems to be just at the beginning of opening these doors to looking at the “human side of organized, institutional philanthropy.” Jed Emerson, in his recent book, *The Blended Value Map*, has a footnote at the beginning about deliberately excluding matters psychological from his very comprehensive classification system for looking at how economic and social values intertwine. He agreed that this work would benefit from looking at both the underlying forces in philanthropy that are largely psychological in nature.

Our Institute’s work in philanthropy studies focuses on five specific topics:

1 - **Human side of change for foundation staff** - I was asked to write a paper on this subject for a recent meeting of foundation executives, looking at what’s happening as the result of the current economic downturn and its impact on philanthropy, including staff cutbacks and cutbacks in given almost unparalleled in the history of institutional philanthropy. Psychology can help in at least three ways:

* 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.

2 - **Psychological aspects of philanthropic strategy** - The International Network on Strategic Philanthropy asked me and Ralph Smith and Ira Barbell of the Annie E. Casey Foundation to develop a paper on stakeholder interactions in philanthropy - who comes to the table to help foundations shape their philanthropic strategy. In addition to looking at types of interactions and ways in which they could be improved, the paper addresses the complex human dynamics of stakeholder interactions in the U.S. and four other countries across the world (England, Belgium, Thailand and Brazil).
Stakeholder interactions, however they are facilitated, are human interactions in which all of the complex elements of communication and motivation apply. Individual aspects are interwoven not only with group dynamics (e.g., of the group of stakeholders which the individual person at the table at a convening represents) but also with larger legal, regulatory, professional, financial and cultural elements. Some important aspects of these complex human dynamics for stakeholder interactions in philanthropy are:

* **Responses to change**  If effective philanthropy is about helping make change happen in communities, then stakeholder interactions also are about change, and this raises for all concerned the fears and resistances inherent in change or the prospect of it (fearing failure, fearing loss of something of personal or group significance - perhaps despite the overall success of a philanthropic initiative, etc.). Communities with negative prior experiences with philanthropy may be particularly given to such fears and resistances.

Moreover, change is likely to fail unless there are appropriate rewards for making the change, and unless strategies have been followed for involving people in the community in designing and implementing the change effort (another significant reason for effective stakeholder reactions, in fact).

Despite such strategies, of course, resistance to certain types of change may remain among stakeholder groups. In such situations, regular patterns of stakeholder interactions can give foundations some “breathing space.” That is, if stakeholders feel their points of view have been heard and they have been respected, they often will accede to actions being taken (or at least adopt more of a “wait and see” attitude), even if they disagree with them.

* **Power differentials**  There is an inherent power imbalance in the relationship of philanthropy to the rest of the community. Foundations not only have resources others want, they also have wide discretion in deciding how to give them out. The power imbalance between funder and recipient can never be truly eliminated, and the results can range from exploitation, to silencing any opposition, to insincere relationships (as Harvard scholar Carol Weiss once put it, “speaking truth to power” is difficult!), to at the very least an uncomfortable relationship famously characterized by Woody Allen: “And the lion and the lamb shall lie down together, but the lamb won’t get much sleep.”

Power differentials are accentuated for many foundations because their donors are wealthy business people and entrepreneurs who do not necessarily believe in participatory democracy - their self-confidence in their ability to shape the world doesn’t require it. And perhaps even more influentially, nonprofit and community leaders have lived so long in a world of power imbalances (with foundations and other funders) that they may tend to internalize the power differential and to act on this internalized perception.

* **Stakeholder conflicts**  While in a perfect world the interests of all stakeholders would mesh perfectly, in the real world they do not. Different stakeholders come to the table with sometimes vastly different and inherently conflicting needs. The recent travails of the Barnes Foundation and its art museum in Pennsylvania is just one example - focusing on the difficulty of honoring donor intent while also responsibly using the resources of the foundation in the public interest.
* **Difficulty of disclosing problems**  Stakeholder interactions, to be valid, often require discussing challenges or shortcomings of the foundation and its philanthropic strategies. This can be difficult given the acculturation of foundation staff and trustees to keep their affairs private (some foundations still do not publish annual reports), and the understandable reluctance to “air dirty laundry” in an environment where public or media attention may be unwelcome.

* **Language differences**  There are likely to be many language differences between foundations and their various stakeholders, representing different perspectives and traditions. Cross-translation and clear communication are the keys to dealing with these differences. Stakeholder interactions can include attention to resolving language differences.

* **Cultural differences**  Different racial and ethnic cultures may have different styles and values about interaction. Interactions with “authority figures,” for instance, have different implications in Asian versus Hispanic communities, and both in turn are different than the interaction patterns for European white traditions that tend to dominate philanthropic institutions. Foundation staff and board members inevitably are authority figures because they hold the purse strings, so these cultural differences need to be taken into account.

These differences in culture also may affect the types of stakeholder interaction strategies appropriate for use by a foundation. The New Mexico Community Foundation, for instance, has found that convenings are not the best way to obtain input from Native American communities.

* **Distinctive culture of philanthropy**  In addition to the “privacy” mode of philanthropic culture just mentioned, there are a variety of other elements of the guiding tradition of foundations, springing from the beginning of the 20th century, that affect stakeholder interactions. Foundations typically express their missions in very general, difficult to quantify ways and look internally for validation that they have achieved them (the current imperatives for accountability and transparency, discussed above, of course, are challenging this). Also, foundations have a long history of desiring to be innovative, while at the same time being risk-averse.

Some of these traditions are changing, e.g., with the arrival of “venture philanthropy” concepts to the foundation world - with a greater valuing for performance metrics, high levels of interaction with grantees and communities, etc. A number of other foundations, such as Edna McConnell Clark and John S. & James L. Knight Foundations, have recently transformed their entire philanthropic strategies in ways that depart from this distinctive culture.

HIRI has studied how the principles of community collaboration can enhance the work of small foundations in their local neighborhoods, and has created a set of guidelines summarizing what has been learned from this study. These collaboration guidelines will be field-tested in a community of interest for the Annie E. Casey Foundation, funder of the project, and interested in place-based philanthropy, particularly in communities like Oakland which have a particularly long tradition of neighborhood involvement in philanthropy.

**3 - Philanthropic infrastructure**  - Getting smaller foundations access to the resources for capacity
building that exist in the community, both in the philanthropic arena and generally in the nonprofit sector, is a psychologically-oriented task. It has particularly to do with the human side of small staff or no staff foundations accessing the capacity-building resources that are available through philanthropy or the larger nonprofit community.

In another recently-launched project, HIRI is studying the uses by small foundations of resources for capacity building already available to other nonprofits in the community - again, gathering significant data on this topic for the first time. We found, for example, that smaller foundations are hesitant to use capacity building services because they don’t want to seem inept in front of audiences that include nonprofits who are also potential applicants. And they are used to being in control in their work lives, so requesting service of this sort is uncomfortable. But most of all, they simply do not know that these services exist.

As part of its work on nonprofit capacity building, HIRI also has conducted pioneering research, developed an online database, and created learning resources on how foundations support nonprofit capacity building activities in the U.S. - including both grantmaking and direct service.

4 - Evaluation and philanthropy - In partnership with Claremont Graduate University, HIRI is developing a multi-faceted training and research program, aimed at increasing the skills of foundation staff to evaluate the impact of philanthropy. This program will create state-of-the-art learning products to share internal evaluation approaches with foundations and donors nationwide.

The program will offer specific training for foundation staff on the human side of program evaluation - how to deal with fears and resistances about evaluation (many of them based on valid experiences, of funders who don’t look at the potential side effects of releasing evaluation reports or of coming into communities to gather data, or who change directions and don’t use evaluation results once given to them). It will deal with the corresponding fears foundation staff have about evaluation - the risks of showing that their grantmaking programs don’t work and why, including identifying particular staff decisions; and the long-term commitment required for change.

The program also will look at particular issues in evaluation for foundations, such as their evaluation of the collaborations they so often require in communities. HIRI’s recent book, *Evaluating Community Collaborations*, presents a framework for that discussion, including a central chapter on the human dimensions of collaborations.

5 - Individual donors - The giving behavior of individual donors is one aspect of philanthropy that has been studied and written about a good deal in the past. We’re looking at specific aspects of it that haven’t been as well studied. For instance, HIRI recently launched a research project, supported by the Annie E. Casey Foundation and other funders, that examines the perspectives of individual donors and their trusted advisors about nonprofit capacity building - systematically documenting these views and activities for the first time. We’re finding that many donors do actually think about capacity building, and give money for that purpose, but they don’t use the label and they don’t know anything about the corresponding work of foundations in this arena. The results from this study may lead to recommendations for donor education programs, building on recent work in this area such as a study by Dan Siegel and Jenny Yancey of New Visions.