The Decade of Outcome-Oriented Philanthropy
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[DRAFT]

Outcome-oriented philanthropy is at least a century old, but the past decade or so—actually more like a baker’s dozen of years—has seen an upsurge in both its intensity and its extent. It has been the subject of many articles, talks, and conferences, and has given rise to new organizations dedicated to facilitating its practice. In addition to a growing number of private foundations, several government funders, including the White House Social Innovation Fund and the Department of Education, have developed an ambitious outcome orientation.

“Outcome-oriented” is synonymous with “result-oriented,” “impact-oriented,” and “effective.” It refers to philanthropy (1) where donors seek to achieve clear goals; (2) where they and their grantees pursue evidence-based strategies for achieving those goals; and (3) where both parties monitor progress toward outcomes and assess their success in achieving them. Outcome-oriented philanthropy has two major centers of gravity: sustaining organizations and problem solving (or strategic philanthropy).¹

Sustaining organizations. The mainstay of philanthropy is making grants to nonprofit organizations to provide services to achieve the funder’s charitable goals—for example, grants to an after-school program to provide activities for underserved children, or to a university to create, teach, and disseminate knowledge. There are three different strategies for supporting organizations.

1. **Buying services.** The vast majority of individual donors and foundations are *philanthropic buyers*: Outcome-oriented philanthropic buyers look for the best service in their areas of interest for the lowest cost, and make gifts and grants, to help pay the operating costs of nonprofit organizations. They assess organizations in terms of outcomes for their intended beneficiaries.

2. **Providing risk and growth capital.** *Philanthropic investors* provide risk capital to social entrepreneurs or nascent organizations, or growth capital to enable relatively mature organizations to expand the scope, efficiency, and quality of their work. At some point, a start-up will have proved itself or a round of growth will have been completed, leaving it to philanthropic buyers to support the continued delivery of services.

3. **Impact (or mission) investing.** Impact investors use their endowments for the double- or triple-bottom line objectives of achieving social or environmental as well as financial impact. Their investments may buy

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¹ My thinking about the categories is influenced by, but does not entirely follow, Sean Stannard-Stockton’s taxonomy, [http://ssireview.org/opinion/entry/the_three_core_approaches_to_effective_philanthropy/](http://ssireview.org/opinion/entry/the_three_core_approaches_to_effective_philanthropy/) March 29, 2011. Some commentators use “strategic” to refer to all outcome-oriented philanthropy. Here, I follow Stannard-Stockton’s terminology, which reserves “strategic philanthropy” for what I will also call a problem-solving approach.
services or provide risk or growth capital with the aims of, say, improving the lives of the very poor through microfinance or reducing energy consumption by investing in clean tech startups, while earning some return on the financial investment.

**Solving problems.** Philanthropic problem solving, also often called strategic philanthropy, focuses on solving specific social or environmental problems. While philanthropists often support organizations in order to solve problems, strategic philanthropists put the problem rather than the organization at the center, and actively engage with a variety of organizations in designing and implementing strategies. Here philanthropists act as architect/general contractors or engineers, and their work often verges on the operational. As a practical matter, only a staffed foundation with expertise in a field can undertake this work.

While there are disagreements about the particulars of these approaches, their common theme—the idea that philanthropy should seek results—may seem so obvious as to make the modifier “outcome-oriented” superfluous. But despite the increasing belief that the work of the sector should rest on evidence-based strategies, with reports on progress in achieving stated goals, very few donors actually follow these principles. Whether because of a lack of information or capacity or because they have other motivations, the vast majority of donors do not seek the information necessary for even the most rudimentary practice of philanthropic buying, let alone investing or strategic philanthropy.

After a brief survey of highlights of the past decade, I will examine the main approaches one at a time, discussing both achievements and the challenges that philanthropists face, including developing the skills necessary for effective practice. The essay then discusses criticisms of outcome oriented philanthropy and ends with some thoughts about the next decade.

**Stirrings of an Outcome-Oriented Movement**

Before focusing on the particular practices of outcome-oriented philanthropy, I’ll begin with a word about its intellectual infrastructure. The decade opened with two important articles that provide the underpinnings of outcome-oriented philanthropy: Michael Porter’s and Mark Kramer’s *Philanthropy’s New Agenda: Creating Value*, and Christine Letts’ *Virtuous Capital: What Foundations Can Learn from Venture Capitalists*. These were followed by an unprecedented amount research, teaching, and writing on outcome-oriented philanthropy, accompanied by the launch of the *Stanford Social Innovation Review* and *Foundation Review*, blogs such as Sean Stannard-Stockton’s *Tactical Philanthropy*, and new academic research centers at Duke and Stanford.

Foundations are served by a number of national and regional organizations that hold conferences and provide information about philanthropy. Although the decade has seen some increase in outcome-oriented programming by the Council on Foundations, the Philanthropy Roundtable, the National Center for Family Philanthropy, and Independent Sector, it is not a central tenet of these older membership organizations, nor of most regional associations of grantmakers.

But two important new membership organizations have entered the field during the past decade. The fundamental mission of the Center for Effective Philanthropy (founded by Porter and Kramer) is to improve foundations’ capacities to achieve social impact. While CEP addresses all
practices of outcome-oriented philanthropy, Grantmakers for Effective Organizations’ main constituents are philanthropic buyers and investors; as its name implies, GEO’s guiding tenet is that strong nonprofit organizations are a necessary condition for social impact.

Foundations seeking management and strategic advice were long served by multinational consulting firms such as McKinsey & Co. and the Boston Consulting Group. The number and quality of such firms have only increased during the past decade. Among the new entrants are the Bridgespan Group and FSG Social Impact Consultants (also founded by Porter and Kramer), which provide strategic consulting to foundations. Firms like Rockefeller Philanthropic Advisors and Arabella provide similar services to individual donors as well.

By the same token, good evaluation shops, such as MDRC and Mathematica, have been around for some time. Among the signal developments of the past decade was the creation of the MIT Poverty Action Lab, which has brought the highest standards of social science to assess interventions in developing countries.

Feedback from grantees and intended beneficiaries of philanthropists can be a valuable proxy for impact. Many foundations have found the Center for Effective Philanthropy’s Grantee Perception Reports useful for improving their practices. And through its Keystone project, AccountAbility has allowed foundations to learn the views of various constituents, including their ultimate beneficiaries. The Foundation Center has created new vehicles to make foundations’ practices and outcomes publicly available—with the goal, among others, of improving their outcomes. And some foundations have joined with government donors in committing to publicly disclosing aid to developing countries through the International Aid Transparency Initiative.

More generally, there has been an increasing understanding that program officers’ knowledge about particular fields, organizations, and strategies can improve outcomes for funders and grantees alike. An increasing number of foundations are putting resources into knowledge management, and several new organizations collect and disseminate knowledge produced by the nonprofit sector.

The decade has seen an increase in the number and quality of outcome-oriented donor education programs available to high net worth philanthropists—often the principals of family foundations—who want to learn how to do it themselves rather than relying entirely on consultants. The decade began with the Philanthropy Workshop, which spawned the (now independent) Philanthropy Workshop West. The Donor Education Learning Collaborative is establishing common outcome-oriented standards.

The decade has also seen the emergence of funder collaboratives and intermediary organizations that aggregate funds to support nonprofits through a combination of philanthropic buying and investing. Social Venture Partners, International is a network of groups of high-net worth individuals who practice “engaged venture philanthropy,” combining their dollars and expertise to expand the capacity of organizations in their regions. Although the Nonprofit Finance Fund’s history goes back quite some time, it chose this name in 2000 to emphasize its support of the capital needs of nonprofits. And about the same time, the Edna McConnell Clark Foundation underwent a transformation from a conventional foundation to one dedicated to providing growth.
capital for nonprofits. SeaChange Capital Partners similarly aggregates contributions of high net worth individuals to provide growth capital.

The idea that markets can be important vehicles for creating social impact was recognized by the Internal Revenue Service as early as 1969 in its favorable treatment of Program Related Investments—typically investments that have a lower return or higher risk than the market—that serve a foundation’s charitable goals. A signal moment at the start of the decade was the creation of Acumen Fund, which makes below-market investments to improve outcomes for the world’s poorest. Later, I will discuss the growing interest in mission- or impact-investing.

The past decade has seen the emergence of a number of groups that publish information about the impact of nonprofit organizations. GiveWell and RootCause, provide in-depth analyses of a growing number of nonprofit organizations. Philanthropedia (recently acquired by Guidestar) aggregates experts’ opinion of organizations as a proxy for organizational strength and outcomes. Charity Navigator, once exclusively focused on financial data unrelated to outcomes, is in the early stage of developing outcome indicators. And the “Charting Impact” project of Independent Sector, Guidestar, and the Better Business Bureau is encouraging nonprofit organizations to make available information about their goals, strategies, and achievements.


For all the new organizations, services, and advocates of outcome-oriented philanthropy, the important question is the extent to which it has taken root in practice. This essay examines the practices of outcome-oriented philanthropy as it enters the second decade.

**Sustaining Organizations**

*Philanthropic buying.* Of the three strategies for sustaining organizations, philanthropic buying accounts for the vast majority of contributions, but it is also the area where outcome-oriented philanthropy has shown the least gains in the past decade. A recent survey indicates that while 21% of donors inquire into performance, only 3% actually use the information to determine which organizations to support.

The main barriers to outcome-oriented philanthropic buying by individuals and small foundations are the challenges of obtaining adequate information about nonprofits’ performance and many donors’ seeming lack of interest in such information. Ironically, although the groups assessing nonprofit performance are expanding their coverage, psychological evidence suggests that, because analytic thinking tends to suppress the “warm glow” of giving, outcome data may demotivate giving.
Apart from these barriers, many philanthropic buyers subvert their contributions by earmarking donations for particular projects rather than providing unrestricted, general operating support—a practice often exacerbated by paying unrealistically low overhead. (Imagine buying an airline ticket and asking to pay only for the direct costs of the flight, such as fuel and the crew, but not indirect costs, such as safety training and maintenance.) Even outcome-oriented buyers impose these restrictions, often in the misguided belief that general operating support grants cannot be evaluated and that they can have more impact by designating funds for programs—with little appreciation for how the restrictions affect an organization’s long term viability and growth. A decade-plus of advocacy by Independent Sector, GEO, the National Committee on Responsive Philanthropy, and other organizations seems to have made only modest gains.

On the more positive side, the decade saw an increased interest in “pay for performance” schemes, in which funders pay grantee organizations only if they achieve agreed-upon outcome targets—a promising approach, but one that also has the potential downside of pursuing only easy-to-measure goals—analogous to the hazards of teaching to the test.

What skills do philanthropic buyers need? Nothing special—if they can find reliable information about the quality of organizations they are considering supporting. Despite the increasing availability of such information, however, there is nothing approaching the comprehensiveness of, say, Consumer Reports. (And any reader who has used that iconic reference source knows its limitations even in the relatively simple domain of consumer products.) Therefore, outcome-oriented philanthropic buyers must often do their own due diligence, which requires knowledge of the substantive area (e.g., early childhood education, water pollution) and detailed information about a particular organization’s goals, strategies, and actual outcomes. Staffed foundations that make large, typically multi-year grants are relatively well-equipped in these respects. Other foundations and high net-worth donors must rely on consulting firms to undertake the process or else follow the lead of staffed foundations in which they have confidence—a practice that has not yet gained much traction.

Providing risk and growth capital.

Well before the current decade, philanthropists supported social entrepreneurs’ early stage ventures through organizations such as Ashoka and Echoing Green. While the interest in social entrepreneurship has only grown, the sector is greatly lacking in patient capital to build, sustain, and grow promising nonprofit organizations—funding to pay for new computer systems, strategic planning, performance management systems, and training staff members. But there are some promising signs.
One particular area of need is mezzanine financing—funding to allow successful enterprises to operate at a larger scale. The Edna McConnell Clark Foundation (EMCF) exemplifies the engaged philanthropic mezzanine financier for organizations serving disadvantaged youth. It looks for organizations with sound theories of change, records of accomplishments, strong leadership, and a commitment to tracking performance and measuring outcomes—and helps build their organizational capacity. EMCF is a capital aggregator as well. In 2007, it launched the Growth Capital Aggregation Pilot which has raised $120 million in growth capital for three promising organizations—Citizen Schools, Nurse-Family Partnership and Youth Villages.

Philanthropic investing involves the tasks and skills of philanthropic buying, plus:

- Assessing organizations’ capacities, needs, and potential for growth and sustainability
- Providing capacity-building support, directly or through consultants, in areas including strategic planning, management, evaluation, governance, fundraising, and communications.

As with philanthropic buying, these activities call for experienced foundation staff members. Individual donors and unstaffed foundations have the option of investing in a fund managed by an organization like EMCF or SeaChange Capital Partners. (Of course, this itself calls for due diligence and monitoring.)

**Impact investing**

Impact, or mission, investors invest capital or make loans to for-profit or nonprofit entities with the goal of achieving social as well as financial returns. In addition to affirmative investment strategies, an increasing number of foundations engage in “socially responsible investing” by proxy voting on issues of social concern or using negative screens to avoid investing in companies (e.g., tobacco) that they believe to cause social harm.

Though much impact investing is directed by foundations to conventional business entities, some funders and organizations have intentionally structured themselves to cross the non-profit/for-profit divide. For example, the Omidyar Network, which does much of its work outside of a 501(c)(3) charter, mixes for-profit and nonprofit investments to achieve social impact. And two new forms of organizations have emerged in parallel to blend financial and social outcomes: the low-profit limited liability company (LC3), and the benefit, or B-corporation), whose charter requires the company to adhere to socially-beneficial practices. (It remains to be seen whether these boundary-crossing approaches increase social benefits or, as some commentators worry, subordinate social benefits to profit motives.)

In addition to needing the skills of philanthropic buyers and investors, impact investors need the financial acumen to identify and analyze investment opportunities that promote the foundation’s goals at whatever market return and risk level fit their social and financial parameters. This requires marrying the knowledge of a foundation’s program officers having expertise in a
particular substantive field (youth services, malaria, family planning) with the skills of their investment staff—especially those focused on private equity. Program-related investments typically require legal expertise as well.

Donors who lack the staff to perform these activities in-house can turn to the increasing number of consultants in this area. For example, Imprint Capital Advisors, Arabella, and Rockefeller Philanthropic Advisors advise foundations and high net-worth individuals on impact investments in areas including green technology, community developing, and social enterprise. Global Impact Investing Network is an industry association seeking to develop standards in the field; MissionMarkets seeks to integrate financial and impact metrics with the goal of increasing the flow of capital to mission-driven businesses and nonprofits.

A 2009 report by the Monitor Institute documents both the opportunities and challenges of impact investing. The main challenge is to assess the social impact of one’s investment decisions. The issue is most apparent for impact investing that seeks to achieve market rate returns at market risk levels: if clean tech is just as attractive to investors just out to make a buck, will a mission-related investment in clean tech make even a slight difference in improving the environment? The potential for impact seems greatest for local or regional private equity investments, where the fund manager has deep knowledge of opportunities to benefit, say, low income communities. Its potential seems lowest in public markets and widely known and sought-after private equity investments.

Besides managing investment portfolios, some impact-investment intermediaries play (in the words of Imprint Capital Advisors) “an active role in facilitating and structuring co-investments and developing unconventional partnerships between commercial, philanthropic, and nongovernmental actors.” At the same time as its transactional work has helped further foundations’ goals by cutting across these sectors, Imprint Capital has broadened nonprofit and government entities’ access to capital. Beyond these tangible outcomes, thoughtful cross-sector engagement not only can help further foundations’ goals in general, but can help sharpen pure grantmaking strategies by enriching program officers’ understanding of markets relevant to their work.

The ultimate question for all outcome-oriented philanthropists is whether their grants or investments achieve, or (ex ante) increase the likelihood of achieving, some social impact that would not otherwise have happened. The past decade has seen an increased use of tools to answer this question for other forms of philanthropy. The challenge for impact investing during the coming decade is to develop and apply such tools to work in this realm.

**Problem solving or strategic philanthropy**

As mentioned above, problem solving or strategic philanthropy focuses on problems rather than nonprofit organizations as such. This approach is essential when a field lacks strong organizations whose particular missions and activities are closely aligned with a funder’s goals—which may happen if the funder’s goals are novel or not mainstream, or if the field is new or just happens not to be well developed. But even in a fairly mature field, organizations are often disconnected and competitive at the expense of collaboration and transparency, and lack the

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2 http://www.monitorinstitute.com/impactinvesting/
capacity or will to act in coordination to solve multifaceted problems. In short, the whole sometimes is less than the sum of its parts.

In these cases the problem-solving or strategic philanthropist plays a coordinating role, drawing on the resources of various organizations and linking them with each other and with experts, policy makers, and other actors in the field. Strategic philanthropists use all available philanthropic tools, including those of investing and buying to achieve particular goals. With deep substantive expertise in the field, they often possess a perspective on the field that no single organization does. Like philanthropic buyers and philanthropic investors, strategic philanthropists often help grantees improve their organizational effectiveness, but they typically go beyond this role to be a partner in strategy and implementation.

Foundations engage in problem-solving philanthropy in a variety of areas, ranging from addressing the problems of local communities to climate change and global poverty. With the understanding that there are myriad other examples from other foundations, here are three vignettes from the Hewlett Foundation’s work and one in which we have not been involved:

- **Building fields.** For decades, international donors’ support for K12 education in developing countries focused on expanding access to schools without attention to learning outcomes. In 2001, the Foundation began to try to improve learning outcomes in reading, math, and problem-solving skills.

  Because few existing organizations were closely aligned with this goal, the Foundation had to draw on diverse entities to put together a strategy. For example, it made grants to the American Academy of Arts and Sciences for research on the determinants of educational outcomes in developing countries, and to the African Population and Health Research Centre to study the impact of eliminating primary school fees for children in Nairobi slums. The Foundation made grants to the Aga Khan Foundation to develop a more effective approach to teaching reading and math, and then to implement the approach in Kenya and Uganda. It engaged MIT’s Poverty Action Lab to assess whether these and other approaches actually worked. And it made grants to diffuse innovative educational ideas from one country to another, for example, supporting an East African team’s visit to India to learn about the implementation of a nationwide assessment of literacy and numeracy.

  Over time, the Foundation hopes to foster the development of indigenous organizations to which it and others can make general operating support grants. Uwezo in East Africa shows early signs of success. But for now, the work continues to require considerable coordination and capacity building by Foundation program officers working on the ground in India and Africa.

- **Brokering.** Hewlett Foundation staff played a major role in assisting with the transfer of the *Stanford Social Innovation Review* from the Graduate School of Business, whose mission no longer included the journal, to Stanford’s Center on Philanthropy and Civil Society, and gaining financial support for the enterprise. The Foundation also helped broker the acquisition of Philanthropedia by GuideStar and brokered a strategic alliance
among Independent Sector, the Better Business Bureau Wise Giving Alliance, and Guidestar to create a tool for nonprofit organizations to describe their goals, strategies, and outcome measures.

- **Collaboration, advocacy, and linking organizations.** The Hewlett, Packard, Moore, and Tosa Foundations collaborated in an effort to protect 21 million acres of largely undeveloped coastal land in the Great Bear Rainforest in British Columbia. The foundations’ staffs brought together conservation grantees with the provincial and Canadian governments, first nation tribes, and the timber industry—interests that had been fighting one another for years. The foundations saw an opportunity to help facilitate negotiations among these parties that would protect the forest, deliver economic development opportunities to Canada’s coastal First Nations, and put the timber industry on a path toward long-term sustainability.

- **Collective Impact.** Foundations have sometimes played a role in multi-stakeholder collaborative efforts. John Kania and Mark Kramer write that “large-scale social change comes from better cross-sector collaboration rather than from the isolated intervention of individual organizations.” Their poster child is Strive, in which foundations, nonprofit organizations, corporations, school district leaders, and universities have collaborated to address the problem of low student achievement in Cincinnati, and created an intermediary organization to coordinate their efforts. (Strive is still a work in progress, and Kania and Porter discuss the complexities as well as the potential benefits of large-scale collaborations of this sort.)

Problem-solving, or strategic, philanthropy may or may not include impact investing. Apart from that, its practice requires the skills of the other practices described above, and these qualities as well:

- Understanding the dynamics of complex social and political systems in particular domains
- Facilitating collaboration among organizations working on related projects
- Linking funders, experts, policy makers, and organizations
- Helping articulate shared visions, goals, strategies, and monitoring and evaluation plans
- Stimulating and brokering shared services, mergers, and acquisitions
- Capturing information about the work and disseminating it to others in the field
- Undertaking the analysis necessary to develop sound strategies that take both potential benefits and risks of failure into account, and being able to abide both great uncertainties and great failures

**Criticisms of Outcome-Oriented Philanthropy**

Outcome-oriented philanthropy—particularly problem-solving or strategic philanthropy—has been subject to various criticisms. Some critics embrace the practice but seek to improve it; others challenge the very concept.
Criticisms from within
Internal critics of outcome-oriented philanthropy voice the concerns that it can be incompetently executed, that funders may exercise inappropriate control over grantees, thereby impinging on their autonomy and stifling innovation.

The practice of outcome-oriented philanthropy is hard work. It requires the resources of staff members with skills that include but go well beyond the due diligence and monitoring necessary for good grantmaking. The specific skills needed are underpinned by the basic concepts of strategic thinking—defining clear goals, linking activities to outcomes, monitoring progress and evaluating success—a mode of analysis that even some very smart people find difficult to grasp.

For these and other reasons documented by Patricia Patrizi and Elizabeth Thompson in *Beyond the Veneer of Strategic Philanthropy*, foundations often do a poor job. The authors note, for example, that after engaging in a lengthy strategic planning process, some foundations put their plans in a drawer and do not engage in the ongoing monitoring and evaluation that would inform necessary corrections. They also observe that foundations often don’t consider in advance the tasks that their staff must perform to design and implement a strategy and that staff members often lack the requisite skills.

Some of Patrizi and Thompson’s points resonate with the Hewlett Foundation’s experience as we have taught ourselves outcome-oriented philanthropy during the past decade. Early on, we mouthed the concepts and asked grantees to do likewise, without fully understanding how they played out in practice. Though we always understood strategic plans to be living documents, it is only in the last several years that we have engaged in the systematic monitoring and evaluation necessary to see if strategies are working, and correct them when they’re not. We are still working to align the information we obtain from grantees with the information needed for these purposes. Our understanding of the tasks performed by program officers, the skills needed, and their implications for hiring, support and training has also grown tremendously over the decade.

Patrizi and Thompson note that some foundations treat grantees merely as agents for implementing strategies designed in-house, rather than as partners in their design, leading to weak strategies, limited buy-in by grantees, and poor feedback. In a recent article in *SSIR*, Kristi Kimball and Malka Kopell levy the somewhat related criticism that foundations are prone to the “not-invented-here” syndrome in adopting theories of change and strategies.

The critics’ basic concern is right. Workable theories of change cannot be developed by staff in a foundation skunk works, but only through extensive and ongoing consultations with grantees, practitioners, experts, policy makers, and others in the field. But in their zeal to prevent the “not-invented-here” error, Kimball and Kopell adopt the mirror-image error of demanding that “it must be invented there,” where “there” is a grantee organization. This fundamentally mistakes the way knowledge develops in any field. It is seldom possible to trace the origins of ideas, including theories of change and strategies, to one or another institution. As ideas are tested, refined, or discarded, they don’t belong to any particular organization but becomes part of the public domain.
In *The American Foundation*, Joel Fleishman documents myriad examples of foundation-led innovations that have diffused to operating nonprofits. And foundations often pick up and replicate nonprofit-led innovations. For example, MIT’s OpenCourseWare project was proposed to the Mellon and Hewlett Foundations by Chuck Vest, then president of the Institute. Through a mix of strategic philanthropy and investment activities, the foundations played a major role in launching the Open Education Resources movement that went far beyond the original concept.

Continuing their argument, Kimball and Kopell complain that a given foundation typically funds strategies based on only one or two theories of change, rather than supporting a diverse group of promising ideas. But while supporting a number of promising ideas is good in theory, most foundations lack the financial resources to nurture more than a few at any time, or the human resources to engage in diligent grantmaking and evaluation involving multiple theories of change. Returning to Patrizi and Thompson’s concerns about staff expertise, strategies rooted in different theories of change often involve very different tasks and skills: a program officer who is expert in grantmaking that reduces CO2 emissions is unlikely to have expertise in strategies to help vulnerable countries adapt to climate change; advocating for changes in policies for public school financing requires a different skill set from monitoring the success of charter schools. The ultimate question is net social impact, and the appropriate unit of analysis is not the single foundation but philanthropy as a whole. Indeed, there is good reason to believe that organizations are more effective when they focus limited financial and human resources on doing fewer things.

*External criticisms*

In contrast to the preceding critics who are sympathetic with the enterprise of outcome-oriented philanthropy and want to improve it, some others question its core tenets. These include both conservatives (e.g., William Schambra), and liberals (e.g., Bruce Sievers and Bill Somerville), whose positions sometimes converge and sometimes diverge.

The critics share a radical skepticism about social science and the belief that an emphasis on metrics leads philanthropists to focus on measurable results at the expense of outcomes that are really important. The conservative critics argue, from a Burkean point of view, that efforts at broad scale social change are fraught with ambiguity, uncertainty, and unanticipated bad consequences. They would have philanthropy support local community organizations without demanding particular outcomes. Premised on the importance of empowering civil society, the liberals share this emphasis on local communities, but they also extol philanthropy’s big bets on social movements, whether involving the environment, civil rights, or free markets—again, without the constraints of specific outcomes and metrics.

Of course, there is good reason for caution in acting on social science findings (and even those of the natural and medical sciences). But the implication that we can never make good bets on social interventions is demonstrably false; it isn’t the way any of us live our own lives when we make decisions, say, about what kind of education to provide our children. For all of the complexities of evaluating social interventions and assessing whether they can be generalized to different settings, we sometimes know “what works” (the name of a website summarizing successful educational strategies) and, equally important, what doesn’t.
The concern that an obsession with metrics may limit the scope of philanthropy is legitimate. My own view is that one should first choose goals, then make a serious effort to define measurable targets or reasonable proxies for them. Our experience at the Hewlett Foundation is that this usually takes us pretty far, but that sometimes we must make do with indicators of progress that are still pretty far from outcomes. Statistical analysis can provide a pretty good picture of the success of a deworming program in Africa. But broad scale social movements require long time horizons and patience with setbacks and periods of stasis.

Sievers argues that philanthropy should focus primarily on empowering civil society. Doubtless, this is a valuable goal, but so too are curing cancer, mitigating global warming, and reducing poverty. Without doubt, the engagement of citizens is often an important means of achieving various philanthropic goals as well as an end in itself. But not always. The proposition that philanthropy must devote itself to particular goals has surfaced in every decade. Rather than choose among the myriad possible candidates, I would prefer to continue the rich tradition of diverse ends and means that has characterized American philanthropy.

The coming decade
The decade ends with healthy debates on these issues in journals and blogs that did not exist at its inception, and with most of the institutions and practices mentioned in the preceding pages flourishing. It also ends with considerable interest in the use of social media to improve impact, and in crowd-sourcing, design-thinking, and other approaches to developing innovative ideas for philanthropy—though, unfortunately, less enthusiasm for scaling successful strategies.

One recent innovation that is aimed at scaling successful strategies couples the idea of pay-for-performance with social impact bonds. For example, in 2010, the United Kingdom offered £5 million of bonds to fund interventions by organizations with proven records of reducing recidivism among prisoners. The bondholders, who take greater than market risks, are repaid only if the organizations achieve certain milestones; they have a strong incentive to monitor the organizations’ performance.

For all of the improved practices and new ideas of the past decade, philanthropy remains an underperformer in achieving social outcomes. One cause of this may be that, apart from requirements of minimal standards of governance, philanthropists are essentially unaccountable. Businesses have shareholders, politicians have constituents, and nonprofit organizations have funders. Philanthropists have their own money, which they can spend as they wish. Of course, foundations have boards, but the boards are often themselves the primary decision makers and, in any event, are not externally accountable. In theory, the media can play a watchdog role. But even if they had the data and capacity necessary to monitor outcomes, their audiences tend to be more interested in personal anecdotes, especially tales of malfeasance. The consequence is that every donor, including each of the 80,000 foundations in the United States, is a private island unto itself.

In Give Smart, Tierney and Fleishman write that, for philanthropists, excellence is self-imposed. So too is mediocrity. Yet I cannot think of a system of external accountability with bite that would not threaten the valuable diversity of American philanthropy. A more promising approach would center around philanthropic transparency—even if self-imposed—which could provide
donors with feedback from various stakeholders that could inform donors’ practices as well improve sector-wide knowledge. As a starting point, foundations might hold themselves to the minimal Charting Impact disclosures about goals, strategies, and the like.

It is not surprising that donors who are not interested in improving their own practices would not be interested in improving the practice of philanthropy more broadly. One consequence, however, is the continued weakness of many of the national membership organizations, regional associations of grantmakers and community foundations, on whom small foundations and high net worth donors rely for philanthropic guidance. Perhaps because supporting the field seems self-referential and hence self-indulgent, or because its benefits are indirect, abstract, and long-term, some of the promising strong new organizations mentioned earlier in this essay are also underfunded.

Despite these problems, the momentum for outcome-oriented philanthropy continues to be strong. If there’s still more talk than action, the talk is mostly in a positive direction. With many new large foundations likely to come into being during the coming decade, there is a great opportunity to increase the sector’s impact.