EFFECTIVE PHILANTHROPY IN URBAN COMMUNITIES

FALL 2014  Course B8543-001
Uris 329  Mondays, 4:00 p.m. – 7:15 p.m.

Instructors:  Douglas B. Bauer and Melissa A. Berman, Ph.D.
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Office Hours:  By appointment

TEACHING ASSISTANT
Elise Miller – EMiller15@gsb.columbia.edu

REQUIRED COURSE READINGS

Excerpts from the following texts will be assigned, and as far as possible available on Canvas as well as the library:

1. Brest and Harvey, Money Well Spent
2. Collins, Good to Great and the Social Sector
3. Crutchfield and McLeod, Forces for Good
5. Hunter, Working Hard and Working Well
6. Marino, Leap of Reason: Managing to Outcomes in an Era of Scarcity
7. Weinstein and Bradburd, The Robin Hood Rules for Smart Giving
8. Silk and Lintott, Managing Foundations and Charitable Trusts

Marino’s “Leap of Reason” and Hunter’s “Working Hard” can be downloaded for free at www.leapofreason.org.

In addition, the following articles and case studies will be assigned; they will be available on Canvas:

1. “What are Foundations For?” Rob Reich, Boston Review, v. 38 no. 2, March/April 2013
12. “Corporate Philanthropy,” Stanford Graduate School of Business, Case SI-64

Each team will be assigned relevant sections of one or more of the following:

There will also be additional readings/handouts in class or available via Canvas/Angel. The additional readings are essential to comprehending the content of the class.

Finally, we urge you to learn about the sector through regular reading online of Philanthropy News Digest, Chronicle of Philanthropy and the Stanford Social Innovation Review. Stay on top of current events, especially in New York City, because they will contribute to the richness of class discussions. We will use them and expect you to be aware of them.

**REQUIRED PREREQUISITES AND CONNECTION TO THE CORE**

There are no prerequisites for this course. The concepts in this course will use, build on and extend concepts covered in the following core courses:

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
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<tbody>
<tr>
<td>Financial Accounting</td>
<td>1. Understanding the Accounting Equation in Nonprofits</td>
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<td>2. Revenue and Expense Models in the Nonprofit Sector</td>
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<td>3. How to Review Nonprofit Audits and Tax Returns</td>
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<tr>
<td>Strategy Formulation</td>
<td>1. What is Economic Value in Nonprofits and Philanthropy</td>
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<td>2. How is Value Created with Philanthropic Support</td>
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<td>3. The Role of Competition in the Nonprofit Sector and Philanthropy</td>
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<tr>
<td>Operations Management</td>
<td>1. What is the Nonprofit Operating System</td>
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<tr>
<td></td>
<td>2. What is the Philanthropy operating System</td>
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<td></td>
<td>3. How does a Nonprofit Manage to Outcomes or Achieve Impact</td>
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Students will be expected to have mastered these concepts and be able to apply them in the course.
COURSE DESCRIPTION

“To give away money is an easy matter in any man’s power. But to decide to whom to give it, and how large and when, and for what purpose and how, is neither in every man’s power nor an easy matter. Hence, it is that such excellence is rare, praiseworthy and noble.”
 — Aristotle, 384-322 BC

“What is the use of living, if it be not to strive for noble causes and to make this muddled world a better place for those who will live in it after we are gone?”
 — Winston Churchill, 1908

“Will our economic success make us more generous or more self-absorbed? More idealistic about the aspirations of the founding fathers and the work of our forefathers in making American life what we so comfortably inherit? Or will the diminished need to struggle as hard as other generations lessen our imagination about how to address the needs of others and fix what is still broken in our society? Either society is possible. One will build our society; the other will erode and slowly degenerate it over the first few decades of the twenty-first century.”
 — Claire Gaudiani, 2003

Philanthropy has become a significant force in recent years, assuming a level of importance within the United States not seen since the early 20th century, and burgeoning abroad as well. The current conception of philanthropy now includes not only grants and gifts but also impact investing, social enterprise, advocacy, dissemination, and complex public-private partnerships.

This course is designed to provide students with a rigorous understanding and practical experience in how philanthropy can create social change, including how to:

1. Analyze and identify social challenges and issues you would want to fund with philanthropic dollars;
2. Evaluate strategic options for addressing social challenges;
3. Develop selection criteria for funding;
4. Evaluate funding opportunities through a due diligence process;
5. Allocate funds; and
6. Evaluate results.

According to Giving USA, $316 billion was given to charities in 2012. And while it may appear to be easy to give money away, it is, as Aristotle pointed out some 2300 years ago, not an easy matter, and ever more challenging today. The reasons for this are complex. Some are contextual: the nonprofit sector has dramatically changed since the recession of 2008. Some are analytical: Will poverty be alleviated through access to capital, education, health, or responsive government? Some are issue-based: How one supports K-12 education reform efforts is surely very different than how one supports the arts or environmental groups. And some of the reasons are very much determined by the ability (or lack thereof) of the nonprofit itself to deliver outputs, outcomes and/or impact – however those elements are to be defined by the nonprofit itself let alone other stakeholders.
The best way to experience these dynamics is to involve oneself in the actual art of philanthropy. While this course will have its typical set of lectures, readings and guest lecturers, a core component of the class will be to work in teams and endeavor to grant $20,000 in a specific issue area to specific nonprofit(s) in New York City, and to do so effectively. We are fortunate that we have a community that is home to one of the most vibrant third sectors in the country.

OVERVIEW OF THE AWARD PROCESS AND ASSIGNMENTS

The culmination of this course is a set of presentations by student teams in which each team articulates a social problem and, using the six-step process described above, argues for an evidence-based solution to the problem. Critically, the team must also present a specific nonprofit that can ably deliver that solution in New York City. Thanks to an anonymous donor's generosity, one cash grant of $20,000 per team will be provided, that your team will, in turn, award to an eligible nonprofit organization (subject to final approval by the instructors). The team with the “best in class” recommendation will also have an additional $30,000 to award to their recommended nonprofit organization.

At the outset of the course, students will be divided into teams, with up to five students per team. Each team will be assigned a societal challenge that has significant impact in New York City. Topics may include:

- Education
- Healthcare
- Food security and nutrition
- Arts and Culture
- Environment
- Human Services
- Employment
- Housing
- Youth Development
- Civic Engagement

Each team will then need to narrow the assigned topic to a sub-area that allows for meaningful focus, research, analysis and nonprofit selection in the context of New York City. Environment, for example, might be narrowed to urban farming or greening roofs. Education might be narrowed to college completion or middle-school math.

Teams will then research their topics, developing information and analysis about the scope and scale of the problem, its root cause, strategies to solve the problem, and evidence of effectiveness. This research will also include gathering information about the flow of funds into the specific topic from public, corporate and other philanthropic sources, as well as evidence-based analysis of programs.

This analysis, along with a decision about which strategic solution to seek, will be presented as a paper and an in-class presentation by each team, and will account for 40% of the grade. Each team will present the case for why the selected solution is most likely to solve the problem the team has chosen.

Based on this strategic approach, teams will next develop criteria for determining which nonprofits would be appropriate grantees, as well as a method for assessing progress and impact. After approval by the instructors, the teams will identify which nonprofits meet these criteria, and select three finalists as potential grantees.

Next, teams will request proposals from the three finalists, and conduct site visits and due diligence, which will include analyzing the nonprofits’ financials, programmatic or service capacity and evidence of outcomes or impact.
The final paper and presentation, worth **40% of the grade**, will present the team's rationale for its final recommendation, supported by analysis, for a grant and evaluation process.

Active class participation throughout the course will count for **20% of the grade**.

**METHOD OF EVALUATION**

<table>
<thead>
<tr>
<th>Type</th>
<th>Designation</th>
<th>Discussion of concepts</th>
<th>Preparation of submission</th>
<th>Grade</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>group / group</td>
<td>Permitted with designated group*</td>
<td>By the group</td>
<td>Same grade for each member of the group</td>
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<tr>
<td>B</td>
<td>group / individual</td>
<td>Permitted</td>
<td>Individually</td>
<td>Individual</td>
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<tr>
<td>C</td>
<td>individual / individual</td>
<td>None of any kind</td>
<td>Individually</td>
<td>Individual</td>
</tr>
<tr>
<td>D</td>
<td>(An optional category to be defined in detail by the faculty member)</td>
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| Research paper and in-class presentation (type A) | 40% |
| Final paper and presentation (type A) | 40% |
| Active class participation (type C) | 20% |

**CLASSROOM NORMS AND EXPECTATIONS**

This will be an active three hour class. The instructors have knowledge and experience to impart, but very much see themselves as facilitators. We will keep lecturing to a minimum. In the course of the semester, we will read various books, articles, and documents and **discuss** them. Be ready to do so. You will meet leaders from the nonprofit and philanthropic community. Be ready to **engage** them. In the course of the semester, you will visit projects or programs in New York City. Be ready to **observe and analyze**.

Again, we want to use the class experience as a bridge between theory and practice. The readings we discuss in class and the speakers we invite into the class complement each other. We will spend time in each session exploring the readings and interacting with the speakers, so please complete the readings before class for which they’re assigned.

This course is not for the student who wants to receive information passively and then simply present it back in the form of papers. We are looking for students who want to engage with the material and the people in this vibrant sector, through site visits as well as in-class opportunities. Class participation is vital and will count toward your overall grade. Get to know your classmates as the journey in this work is better understood and enjoyed by shared experience. Since the topics discussed in this class often involve values and personal beliefs, we expect everyone to respect diverse viewpoints and experiences.
Students are expected to attend all classes for the 3.5 hour sessions each time. Absences, as well as partial attendance of a session, must be justified in advance to the satisfaction of the instructors.

Use of cell phones or other devices is strictly prohibited and use of laptops and iPads will be permitted ONLY during group work time.

**CLASSES OVERVIEW**

**Session 1: Overview of the Third Sector**

- Introductions/What You Hope To Get Out of the Class
- Course Overview
- A Short History of the Nonprofit Sector
- Types of Philanthropy: Private/family; Independent; Corporate
- Key and Current Trends

**Readings:**
- Stanford GSB Case SI-66, “Philanthropy in America: An Historical and Strategic Overview”
- Buffett, “The Charitable-Industrial Complex”
- Fleischman, Introduction

**Session 2: Best Practice in Nonprofits: Excellence, Efficiency and Effectiveness**

- Current Practice in NPO Management – what works, what doesn’t
- To Scale or Not to Scale: Is small beautiful?
- Social Enterprise/Social Entrepreneurship: An answer to what ails the sector?
- HBS Case Study on Historical Society of PA or DBB developed case study on Olivia Sage Community House

**Readings:**
- Crutchfield & McLeod, chapters 1, 8, 9
- Hunter, Working Hard and Working Well, ch. 3
- Miller, “The Looking-Glass World of Nonprofit Money”

*Team Time: Teams and issue areas will be assigned*

**Session 3: Identifying and Evaluating Effective Nonprofits**

- Evaluation Processes and Matrixes
- Assessing Financial Strength (or lack thereof) of Nonprofits
• Financial Performance versus Program Outcomes: A False Choice?
• Case Studies: Review of Proposals from Clark Foundation grantees

Readings:

• Collins, Good to Great for the Social Sector
• Marino, ch. 1-2
• Giving 2.0 Learning Notes: Nonprofit Assessment

Team Time: Teams Discuss and Begin to Define What Kind of Nonprofits They Want to Consider Supporting

Session 4: Best Practice in Philanthropy: Value-driven Empowerment via Targeted Investment

• The Current Role of Philanthropy in the U.S. and Abroad
• The Social Compact that Enables Philanthropy
• Government, Business and Philanthropy: Who should be filling the gaps?
• Success Stories and Failures in Philanthropy

Readings:

• Reich, “What are Foundations For?”
• Carnegie, “The Gospel of Wealth”
• Bishop and Green, Philanthrocapitalism, ch. TBD

Session 5: The Infrastructure of Philanthropy — Part I

• Your Values, Your Worldview
• Defining the Problem: Issue Research and Root-Cause Analysis
• Developing a Strategy/Solution
• Philanthropic Vehicles and their Governance
• Funder panel: NY Foundation leaders

Readings:

• Brest and Harvey, Money Well Spent, ch. 3
• Stanford GSB Cases:
  - Skoll Foundation (SI-67)

Team Time: Teams discuss Initial Scan of Issue Areas and Possible Focus of Their Philanthropy
Session 6: The Infrastructure of Philanthropy — Part II

- Developing a Mission Statement
- Developing Grantmaking Guidelines and Criteria
- Developing Proposals
- Understanding the Grantee/Grantor Dynamic

Readings:
- Marino, ch.3-4
- Fleischman, ch. 6 - 7

Team Time: Prep for Class Presentations

Session 7: Frameworks for Grantmaking

Class Presentations of the Frameworks for Grantmaking

Session 8: Forms of Philanthropy

- Types of Grants: Project, General Operating Support, Capital, Endowment
- Evidence-based Funding: Current trends and challenges
- Impact Investing and Program-Related Investments
- Convening, Advocacy and Communication

Readings:
- Omidyar Network, “Primming the Pump”
- Monitor Institute, “From Blueprint to Scale,” executive summary

Team Time: Nonprofit groups identified; schedule for solicitation of proposals and site visits

Session 9: Philanthropy’s Obsession: Assessing and Achieving Impact

- Outcomes vs. Outputs vs. Impacts
- Models and Tools
- Conducting site visits
- Case Study: Center for Employment Opportunities

Speaker: Mindy Tarlow, CEO of Center for Employment Opportunities

Readings:
• Weinstein and Bradburd, ch. 2, 3, 6, 11
• Giving 2.0 Learning Notes: Site Visit Guide
• Snibbe, “Drowning in Data”

Team Time:  Check-in with instructors

Session 10:  Moving the Needle: Case Studies in Achieving Success with Urban Philanthropy

• Part I: Key Issues and Promising Solutions to Urban Issues (Guest speaker: an academic expert in urban issues or a set of nonprofit leaders)
• Part II: Case Studies in the role of measurement, accountability, risk, time and leadership

Readings:
• Sievers, “Tale of Three Cities”
• Stanford GSB Case Study SI-70: The Broad Foundation
• Fleischman, ch. 8

Team Time: Check in on Due Diligence of Proposals and Executing Site Visits

Session 11:  Bringing It All Home: Class is devoted to the teams finalizing their work and preparing for their presentations

• Re-review proposals
• Discuss Findings from Site Visits and Any Additional Research
• Determine a Fair Grantmaking Decision Process that is inclusive and Data-Driven
• Outline the Team’s Presentation
• Assign Work to Individual Team Members

Session 12:  Final Team Presentations

• 20 minutes per team plus 10 minutes per team for class discussion
• Course evaluation
• Closing thoughts from MAB/DBB and class
INSTRUCTORS’ BIOS

Doug Bauer is Executive Director of The Clark Foundation. The Foundation focuses on helping individuals out of poverty and then leading independent and productive lives, and supports nonprofits and programs in New York City and Cooperstown, NY. Doug manages not only the Clark Foundation but is also executive director of the Scriven and Fernleigh Foundations. Together, the three foundations have assets over $700 million and provides over $30 million in grants, scholarships and programs annually. Prior to Clark, Doug was a Senior Vice President with Rockefeller Philanthropy Advisors (RPA) from 2002 to 2009 and led the organization’s Strategic Initiatives Team. Prior to joining RPA, he was a Vice President at Goldman Sachs and President of the Goldman Sachs Philanthropy Fund, the firm’s charitable gift fund. From 1997 to 2000, Doug was Director of Community Partnership at SmithKline Beecham (now GlaxoSmithKline) and Executive Director of the SmithKline Beecham Foundation, where he focused on community-based health care around the world. From 1992 to 1996, Doug was a Program Officer for Culture at the Pew Charitable Trusts. And from 1988 to 1992, he managed the Scott Paper Company Foundation. Doug’s opinions and ideas on philanthropy have been featured in the Associated Press, The Chronicle of Philanthropy, Contribute, the Financial Times, the Los Angeles Times, The New York Post, Stanford Social Innovation Review, The Wall Street Journal and on NPR, PBS and CNBC. Doug co-authored, with Steven Godeke, Philanthropy’s New Passing Gear: Mission Related Investing, A Policy and Implementation Guide for Foundation Trustees. Doug is a past chair of Philanthropy New York and current chair of its Public Policy Committee and also serves on boards or committees for Children’s Health Fund, Confluence Philanthropy and the Melalucca Foundation. He is also an adjunct faculty member at the University of Pennsylvania. Doug is a graduate of Michigan State University. He also holds a M.S. from Penn and a M.J. from Temple University.

Melissa Berman is the President and CEO of Rockefeller Philanthropy Advisors, Inc., an innovative nonprofit philanthropy service founded by the Rockefeller family. Rockefeller Philanthropy Advisors’ mission is to help donors create thoughtful, effective philanthropy throughout the world. RPA develops strategic plans, conducts research, manages foundations and trusts, structures major gifts, coordinates donor collaboratives, and provides regranting and fiscal sponsorship services. Rockefeller Philanthropy Advisors annually manages or facilitates about $250 million in giving to more than 20 countries. With funding from the Gates Foundation, RPA has developed some two dozen donor guides in its “Philanthropy Roadmap” series. It has offices in New York, San Francisco, Los Angeles and Chicago. Ms. Berman has led Rockefeller Philanthropy Advisors since January 2001. Previously, she served as Senior Vice President, Research and Program Development at The Conference Board, a nonprofit, independent business research organization. She oversaw all research and publications on management practices, including global corporate citizenship and governance.

Ms. Berman is a leading expert on foundation development, strategic planning and global philanthropy, and has been invited to share her expertise with organizations in Asia, Latin America and Europe as well as across the United States. A frequent speaker, Ms. Berman has been profiled in the New York Times and the Stanford Social Innovation Review. Her ideas and views are featured regularly in the Economist, Wall Street Journal, New York Times, Business Week, Financial Times, USA Today, and the Chronicle of Philanthropy. She has been interviewed on the Today Show, NBC Nightly News, NPR, CNBC-TV, and Bloomberg TV. Ms. Berman is a director of Rockefeller Philanthropy Advisors and an adjunct Professor at Columbia University’s Business School, where she also serves on the Advisory Board for the Social Enterprise Program. She is a member of the International Council of the New Israel Fund and a former director of the Foundation Center. Ms. Berman holds a B.A. from Harvard University and a Ph.D. from Stanford University.