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Michael Quinn Patton
*Utilization-Focused Evaluation*

Nathaniel Foote
*TruePoint*

James Radner
*University of Toronto*

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# A Foundation's Theory of Philanthropy: What It Is, What It Provides, How to Do It

*Michael Quinn Patton, Ph.D., Utilization-Focused Evaluation;*
*Nathaniel Foote, J.D., M.B.A., TruePoint; and James Radner, M.Phil., University of Toronto*

*There is nothing as practical as a good theory.*
– Kurt Lewin (1890–1947)

*There is nothing so theoretical as a good method.*
– Anthony G. Greenwald (2012)

The notion that change initiatives should be undergirded by a theory of change has become widely accepted. We make the case in this article that philanthropic endeavors should be undergirded by a theory of philanthropy. The use of the term "theory" in both theory of change and theory of philanthropy emphasizes the value and importance of conceptual clarity. A theory of change hypothesizes how change occurs in the world. A theory of philanthropy articulates a foundation's role in supporting change.

This article examines the classic theory-practice connection at the level of the whole foundation. We offer both a conceptual framework (theory of philanthropy) and a specific method (theory-of-philanthropy tool) for looking systematically and comprehensively at whether and how a specific foundation's parts align and cohere. Articulating a theory of philanthropy is a way for a foundation to make explicit what is often only implicit. This enables internal and external actors to explicitly pose significant questions and resolve key decision points, to understand and play important roles more fully and effectively, and to improve performance by enhancing alignment across complex systems both internally and externally (Patton, 2011).

## Key Points

- This article argues that philanthropic endeavors should be undergirded by a theory of philanthropy. Articulating a theory of philanthropy is a way for a foundation to make explicit what is often only implicit, thereby enabling internal and external actors to pose and resolve significant questions, understand and play important roles more fully and effectively, and improve performance by enhancing alignment across complex systems.

- A theory of philanthropy articulates how and why a foundation will use its resources to achieve its mission and vision. The theory-of-philanthropy approach is designed to help foundations align their strategies, governance, operating and accountability procedures, and grantmaking profile and policies with their resources and mission.

- Some 30 elements that can feed into a comprehensive theory of philanthropy represent a customizable tool for exploring the issues foundations face. A foundation can use the tool to gather data and perspectives about specific aspects of its heritage and approach; what is learned in addressing the elements can then be synthesized into a succinct and coherent theory of philanthropy.

Here's the logical flow of this article. We'll begin by discussing why holistic alignment matters and explain how a foundation's holistic theory of philanthropy can enhance a foundation's effectiveness and impact. We then look in depth at what a theory of philanthropy is. We'll show how a foundation's theory of philanthropy is

different from a theory of change, though they are mutually reinforcing. We'll explain how a theory of philanthropy is more than and different from a foundation's strategy, though again, their interrelationship is critical. We'll offer methods, processes, and tools for articulating a theory of philanthropy. We conclude with three theory-of-philanthropy products and three results that flow from theory-of-philanthropy work. The payoff, as documented in the two case exemplars following this overview, is increased effectiveness of the whole foundation through deeper understanding and heightened intentionality.

Understanding focuses intention, intention directs action and learning, and learning deepens understanding. That circle of reflective practice is what makes theory so practical and makes method effectively theory-based. Essentially, in what follows, we shall make the case that there is nothing so practical at the whole foundation level as a well articulated, thoughtfully supported, and collectively embraced theory of philanthropy.

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**General Theories of Philanthropy Versus a Specific Foundation's Theory of Philanthropy**

The term "theory of philanthropy" has been used in some scholarly social science analyses to explain the philanthropic impulse among human beings (Bolding, 1962; Reich, 2010). In our work, we use the term to describe and explain how and why a particular foundation engages in philanthropy, and to compare theories of philanthropy to help any particular foundation make informed and explicit choices in formulating its own unique theory of philanthropy.

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## Why Holistic Alignment Matters

Philanthropic foundations strive to make a difference in their arenas of action. They engage in visioning processes, create a mission statement, determine areas of program priority, engage in strategic planning, and adopt statements of values, principles, and ethics. They set goals, identify desired outcomes, establish performance measures, and evaluate results. They establish administrative, human resources, communications, financial management, and evaluation systems. Donor or founding intent must be taken into consideration. Governing

structures are created. Grantmaking procedures and decision criteria must be established. An approach to accountability will be articulated. But how do all these (and other) foundation statements, functions, procedures, and structures align? Or do they? Such alignment is the function of a comprehensive theory of philanthropy. Is there a need for alignment? Consider these examples from our experience:

- A foundation with a long history has – over time and with different staff and boards, and facilitated by different consultants – identified core values, guiding principles, strategic outcomes, desired organization norms, and best practices in grantmaking. They've never looked at these documents together.

- A foundation funded a major advocacy campaign when a political window of opportunity opened. Acting quickly would be critical. But the campaign nearly stalled before it began because the foundation cut checks for new grants only once a quarter and the next disbursement was more than two months way.

- A family foundation experienced so much conflict among family members that the board members, encompassing three generations, simply divided the annual allocation among family members and agreed to rubber stamp each other's choices.

- A foundation with a broad mission established six autonomous program areas, each operating independently and none attuned in any particular way to the foundation's mission or to each other.

- A foundation adopted a new mission statement aimed at systems change, but program officers had no expertise in, or appetite for, systems change. Grant guidelines went unchanged.

### *Looking at the Whole*
A foundation's theory of philanthropy brings a holistic systems perspective to bear to understand and enhance a foundation's effectiveness. A system is a whole that is both greater than and

different from its parts. Systems theorists Ghara-jedaghi and Ackoff (1985), in an article that has become a classic, were quite insistent that a system as a whole cannot be understood by analysis of separate parts; they argued that "the essential properties of a system are lost when it is taken apart; for example, a disassembled automobile does not transport and a disassembled person does not live" (p. 23). Furthermore, the function and meaning of the parts are lost when separated from the whole.  Instead of taking things apart, they insist that a systems approach requires "synthetic thinking:"

> Synthetic thinking is required to explain system behavior. … Because the effects of the behavior of the parts of a system are interdependent, it can be shown that if each part taken separately is made to perform as efficiently as possible, the system as a whole will not function as effectively as possible. For example, if we select from all the automobiles available the best carburetor, the best distributor, and so on for each part required for an automobile, and then try to assemble them, we will not even obtain an automobile, let alone the best one, because the parts will not fit together. The performance of a system is not the sum of the independent effects of its parts; it is the product of their interactions. Therefore, effective management of a system requires managing the interactions of its parts, not the actions of its parts taken separately (Gharajedaghi & Ackoff, 1985, pp. 23-4).

This kind of thinking has profound implications for foundations where the parts (program areas, grant portfolios, specialized support functions, administrative units, and governance) are often evaluated in terms of separate and autonomous strengths, weaknesses, and impacts with little regard for how the parts interact together, and are embedded in and interdependent with the foundation as a whole. The lesson to be drawn from the automobile metaphor is that if the parts are not integrated, the vehicle doesn't work; if the elements of a foundation are not integrated, the foundation's overall effectiveness is potentially undermined and resources are potentially wasted. The stakes for effectiveness and efficiency, we

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want to suggest, can be quite high. If impact and accountability matter, then alignment matters.

### Aligning the Internal and External

We want to emphasize that for a foundation, alignment includes internal and external systems. It's not just the foundation's internal operations that need alignment; that's too narrow. Since foundations aim to affect the external world, their systems must be attuned to what's unfolding around them. But a theory of philanthropy needn't encompass a full mapping of the external systems the foundation seeks to influence; that's too broad and potentially overwhelming. Rather, the theory of philanthropy treats external systems as context, which a foundation needs to understand sufficiently to identify opportunities and levers for impact. At the same time, theory-of-philanthropy work examines how the foundation's internal core reality (history, assets, priorities,

*The theory of philanthropy treats external systems as context, which a foundation needs to understand sufficiently to identify opportunities and levers for impact. At the same time, theory-of-philanthropy work examines how the foundation's internal core reality (history, assets, priorities, procedures) also provides opportunities and levers for impact. The internal-external connections constitute a road map for adding value in the world.*

procedures) also provides opportunities and levers for impact. The internal-external connections constitute a road map for adding value in the world – not as a generic model, but rather one that is specific to a particular foundation's context and essential nature and mandate.

While the opening bullet points illustrated examples of major misalignment, articulating a coherent theory of change can enhance effectiveness even when there are not major alignment problems. Periodically getting everyone on the same page enhances coherence; makes assumptions explicit; connects the dots among discrete foundation units, functions, and activities; and offers a strong platform for the foundation's future. The two case studies that follow this overview are such examples. The Blandin and Palix foundations undertook and used theory-of-philanthropy work to look backward, then

to examine current operations and results, and ultimately to look forward into the next era of the foundation's mission-level contributions and impacts.

Foundations go through distinct strategic eras based on changes in leadership, mission, circumstances, context, or their own learning and development. So they need to adjust processes, roles, and strategies that were inherited from the previous era. It's much easier to do this, to plan for the next era, if you're explicit about when those processes emerged, why they were there, what role they served, and how they now need to be changed given new goals and challenges. Alternatively, within any given strategic era, being able to name and discuss key aspects of alignment can enhance the foundation's current effectiveness and strengthen its leverage. Moreover, the process of making explicit a theory of philanthropy can surface hidden alignment problems and empower leadership to solve them.

### Theory of Philanthropy: What It is

A foundation's theory of philanthropy articulates how and why the foundation will use its resources to achieve its mission and vision. The theory-of-philanthropy approach is designed to help foundations align their strategies, governance, operating and accountability procedures, and grantmaking profile and policies with their resources and mission. Essentially, a theory of philanthropy aligns:

- aspirations for impact;

- the nature of the value the foundation can and will add toward those aspirations (given its resources, structure of endowment, and priorities);

- choices about the portfolio of initiatives and institutions in which the foundation invests its funds and other resources (expertise, knowledge, relationships, credibility) to accomplish the value added; and

- organization, operating approach, governance systems, and culture.

A theory of philanthropy therefore provides a framework for effectively asking and answering questions like:

- How do we organize and operate to fulfill our mission? Why?

- How do we determine priorities? How do we align programmatic priorities with our mission?

- What should be our approach to strategic planning? Why?

- With whom do we partner, if anyone? Why?

- Are we engaging too little, or too much, with grantees? How would we know?

- What kinds of theory of change should we fund? Why?

- Do we need our own theory of change? Why, or why not?

- To what extent are the various functions, operations, concepts, principles, plans, and procedures of the foundation aligned, coherent, and consistent?

- How well do our foundation practices match our aspirations?

To tackle such questions, we have identified more than 30 elements of a comprehensive theory of philanthropy, the exact number depending on the niche of and issues facing a particular foundation. Distinct inquiry elements include philanthropic approaches to mission, vision, strategic focus, and niche; allocation of resources and assets; and operations, including staffing, governance, and grantmaking procedures. The influence of recent trends in philanthropy is reflected in specific dimensions, like the approach to innovation, collective impact, risk assessment and risk taking, accountability and evaluation, and scaling.

The reason we explore so many specific elements in a theory of philanthropy is to provide the necessary raw material for synthetic thinking

> *The reason we explore so many specific elements in a theory of philanthropy is to provide the necessary raw material for synthetic thinking and alignment. To comprehend and enhance the whole, we need to review the parts.*

and alignment. To comprehend and enhance the whole, we need to review the parts. But before presenting these specific elements in more detail, it may be helpful to further distinguish a theory of philanthropy from a theory of change.

### Theory of Change in Relation to Theory of Philanthropy

In working with foundations to support and enhance their effectiveness, we have found it vital to explore the foundation's goals, the nature of its endowment and funding style (e.g., size, scope, cycles), and the funding ecology in its chosen area all interact to create opportunities to make a difference and catalyze change. Some foundations approach this challenge by formulating a theory of change – much as a grantee might. A theory of change is often useful to a foundation in planning and evaluation, but we find it is generally insufficient at the overall foundation level because it doesn't adequately articulate and incorporate the foundation's specific contribution to successful and sustainable impacts, and the way the foundation can best align its systems to optimize that contribution.

A theory of change is a causal model that links specific actions and inputs to desired results. Evaluations of projects and initiatives typically work off a theory of change, to test whether results actually achieved can be explained by the hypothesized causal pathways. The idea of formulating a theory of change to guide

TABLE 1 Theory of Change Compared to Theory of Philanthropy

|  | Theory of Change | Theory of Philanthropy |
|---|---|---|
| **1. Focus** | Hypothesizes how change occurs in the world. | Hypothesizes how a specific foundation contributes to change. |
| **2. Specificity** | Problem specific: Specifies how a specific change occurs – reducing poverty, closing the achievement gap, enhancing health outcomes. | Foundation specific: Specifies how and why a specific foundation directs its resources to support specific changes. |
| **3. Basis** | Based on scientific evidence about how the world works and how change occurs in a specific arena of concern and action. | Based on donor intent, mission, vision, values, and priorities as determined by stewards of the foundation's assets and analysis of external environment and context. |
| **4. Evaluation questions** | To what extent and in what ways does the intervention derived from the theory of change lead to the desired outcomes and impacts? What, if any, unintended consequences occur? How can effectiveness be improved? What is the cost-effectiveness of the intervention? | To what extent and in what ways is the foundation fulfilling its mission? To what extent are its mission, values, strategies, staffing, grantmaking procedures, grantee relationships, operating procedures, governance, investment approach, and organizational structures and processes aligned to contribute to the change it supports? How can impact be enhanced? |
| **5. Utility** | Increases impact on significant problems and generates knowledge to improve outcomes, support decision-making, and spread impact. | Increases a foundation's effectiveness, self-knowledge ("makes the invisible visible"), coherence, and transparency externally; generates learning and capacity for future impact and adaptation to change. |

community development originated with a hugely influential article by pioneering Harvard-based evaluator Carol Weiss (1995). Her work directed attention to and generated widespread demand for specifying a theory of change to undergird both implementation and evaluation of community initiatives. In recent years, *The Foundation Review* and the *Stanford Social Innovation Review,* among others, have featured several articles on the importance of theories of change and strategic philanthropy (Behrens, 2009; Patrizi & Thompson, 2010; Klugman, 2011; Culwell, Rodriguez, Croteau, & Kakli, 2014; Brest, 2010; Forti, 2012; Colby, Stone, & Carttar, 2004).

A theory of philanthropy, in contrast, concentrates less on the causal pathways that lead to desired results within a community and more on how a foundation contributes to the success of other stakeholders in the community (each

of which may have a distinct theory of change) through its grantmaking and related activities.

For example, typically foundations ask grantees to articulate their theories of change in grant proposals and require evaluations against those theories of change. Describing a foundation's proposal screening, grantmaking, and priority setting constitute core elements of a specific foundation's theory of philanthropy.

A theory of change hypothesizes how change occurs in the world; a theory of philanthropy articulates a foundation's role in supporting change. (See Table 1.)

The extent to which a foundation has its own theory of change depends on its theory of philanthropy. If a foundation already has articulated one or more theories of change, that

TABLE 2 Theory-of-Philanthropy Approaches to Theories of Change: Six Examples

| Theory of Philanthropy | Foundation Approach to Funding and Programming Consistent With the Theory of Philanthropy (either as the overall approach or as one part of its portfolio) | Implications for Theory of Change |
| --- | --- | --- |
| 1. Fund grantees' theories of change. | Responsive grantmaking. | Foundation does not need its own theory of change; it needs to be able to judge quality and relevance of grantees' proposed theories of change. |
| 2. Direct engagement with change as an operating foundation; staff are positioned to deliver programs to achieve desired outcomes. | Operating foundation or program within a foundation. | The operating program of a foundation should have its own theory of change. |
| 3. Foundation sets agenda, defines problem, specifies desired outcomes, seeks grantees that offer proposed solutions. | Initiating foundation or programming. | Foundation determines arena of action within which a theory of change is needed and judges potential value and effectiveness of theory-of-change proposals received. |
| 4. Partner with grantees to create needed interventions, even creating collaborations for collective impact. | Partnering foundation or program approach. | Shared theory of change co-created by the foundation and those with whom it is partnering. |
| 5. Devote all assets to maximize impact in a fixed period of time. | Spend-down or limited-life foundation. | Theory of change should identify primary targets of opportunity for leverage and tipping-point impacts within a definable time period. |
| 6. Employ different theories of philanthropy for different problems (program areas) (some responsive grantmaking, some initiating, some partnering, and/or some funds devoted to operating a program). | Hybrid foundations. | Theory-of-change approach for each problem area flows from theory-of-philanthropy approach for that problem (see theory-of-change approaches). |

theory-of-change work should provide a solid basis for theory of philanthropy work. (See Table 2.)

## Theory of Philanthropy Elements

The 30-plus distinct elements that can feed into a comprehensive theory of philanthropy represent a customizable tool for exploring the issues a foundation faces. The size and content of the list varies depending the foundation. Participants use the tool to gather data, information, perspectives, and narratives about specific aspects of the foundation's heritage and approach. What is

learned in addressing the elements can then be synthesized into a succinct and coherent theory of philanthropy. (See Table 3.)

### *Flexibility in the Theory-of-Philanthropy Inquiry Framework and Tool*

We want to reiterate the value of customizing each foundation's theory of philanthropy. Anything of importance to a particular foundation should be incorporated in its theory of philanthropy. External reviewers of this article suggested additional potential elements based on their own experiences:

**TABLE 3** Inquiry Elements for Articulating a Theory of Philanthropy*

| Inquiry Elements for Articulating a Theory of Philanthropy* |
| --- |
| 1. Philanthropic niche and approach |
| 2. Roots and source of focus |
| 3. Identity and branding |
| 4. Strategy |
| 5. Leadership roles |
| 6. Staff roles |
| 7. Overarching principles and values |
| 8. Time horizon |
| 9. Arenas of action |
| 10. Perspective on foundation's assets |
| 11. Organizational culture |
| 12. Contextual sensitivity and trend scanning |
| 13. Budget approach |
| 14. Life-cycle approach/evolution |
| 15. Governance |
| 16. Board and staff roles and relationships |
| 17. Use of consultants |
| 18. Engagement with the field of philanthropy |
| 19. Investment and management of financial assets |
| 20. Givens, constraints, restrictions |
| 21. Communications approach and structure |
| 22. Evaluation approach |
| 23. Approach to accountability |
| 24. Approach to learning |
| 25. Approach to risk |
| 26. Approach to collaboration |
| 27. Theory (or theories) of change |
| 28. Add unique functions and issues |
| 29. Transparency approach and perspective |
| 30. Approach to innovation |
| 31. Approach to collective impact |
| 32. Approach to scaling |
| 33. Important language and terminology distinctions |
| 34. Intellectual property approach |
| 35. Other relevant approaches or perspectives |
| 36. Theory of philanthropy coherence and alignment |
| 37. Ideal-actual analysis |
| 38. Theory of philanthropy as an evaluation framework going forward |

* For the full theory of philanthropy inquiry tool with a detailed inquiry protocol and illustrative responses, see http://scholarworks.gvsu.edu/tfr/vol7/iss4/4.

- Beliefs and values regarding nonprofits, the nonprofit sector, nonprofit effectiveness, capacity, operations, and nonprofit financing.

- The influence of leadership style and interests over time. Chief executive officers (strong CEOs or CEOs in relationship with boards) can profoundly influence culture, priorities, strategy, etc. Foundation CEOs may have a lot of leeway depending on their relationship and agreements (implicit or explicit) with trustees. How dependent is a foundation on leadership approach and interests?

- How the foundation views itself as an influencer – influencing a place, field, sector, policy, or other funders. How important is influence to the foundation? What kinds of influence? On whom?

### The Work of Articulating a Theory of Philanthropy

Some foundations already have explicit, up-to-date statements covering most elements of a theory of philanthropy, so they just need to be pulled together into a coherent whole. Other foundations have less written down, or may need to update important components. How much work is involved in articulating a coherent theory of philanthropy depends on what the foundation already has in place.

The process can be facilitated internally or externally, and by anyone with facilitation expertise and experience. It's a matter of taking the time to systematically go through each of the elements and examining their interconnections. The two case examples in this issue of *The Foundation Review* illustrate facilitation options.

### Theory of Philanthropy in Relation to a Foundation's Strategy

A foundation's strategy (and approach to strategy) is a major element in its theory of philanthropy. The most common question we encounter is how a theory of philanthropy is different from a foundation's strategy. Because that question arises so often, we want to respond here in some depth.

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**Incorporating Philanthropic Typologies Into a Theory of Philanthropy**

Studies of philanthropy have generated a number of frameworks for differentiating philanthropic approaches. For example, Kramer (2009) distinguished "catalytic philanthropy" from "traditional philanthropy" through four key features: taking responsibility for achieving results; mobilizing a campaign; using all available tools (e.g., advocacy, corporate alliances); and creating actionable knowledge. Stannard-Stockton (2011) identified The *Three Core Approaches to Effective Philanthropy* (charitable giving, philanthropic investment, and strategic philanthropy). These are macro, big picture, and broad-brush typological distinctions. In contrast, a specific foundation's theory of philanthropy is concrete, detailed, and micro (a specific philanthropic niche).

In developing and articulating a foundation's theory of philanthropy, it may well be useful to draw on and incorporate any conceptual framework or typology that the foundation has used or finds to be illuminative. In such a case, the specific theory of philanthropy would examine how coherent, consistent, and aligned its overall operations and ways of doing business are with whatever designation, label, niche, or framework it employs, whether it be "catalytic philanthropy," "strategic philanthropy, "learning organization," or "impact investing," to name a few prominent examples.

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Consider this example. In 1997 the Northwest Area Foundation stopped making project grants to nonprofits in several program areas and moved to focusing strategically on a single issue for optimal impact: partnering long-term with select communities with major investments to reduce poverty. The change in strategy changed everything at the foundation, including leadership functions; staffing competencies and responsibilities; the board's role; use of assets; portfolio management; decision-making processes; relationships with grantees; use of consultants, communications, convenings; and evaluation. The entire way the foundation operated had to be aligned with the new strategy. That realignment proved challenging and the failure to conceptualize and implement a comprehensive new theory of philanthropy in support of the new strategy contributed to disappointing results. In 2008 the foundation, under new leadership, returned to being a grantmaking institution (FSG, 2011).

*Examining alignment between strategic rhetoric and practical reality leads to opportunities for increased effectiveness. In essence, how a foundation approaches being strategic, and why it does so in a particular way, is a theory-of-philanthropy issue whether or not it is labeled strategic philanthropy.*

From our perspective, a theory of philanthropy provides the overarching framework that explains the origin and approach to strategy taken by a foundation and examines how, and how much, the operations of a foundation are aligned with its strategic intent. It is critical that a foundation's approach to strategy be incorporated into its theory of philanthropy. Strategies, and approaches to being strategic, vary. Though strategy is generally understood to be about where an organization is headed and how it intends to get there, strategies can be visionary or concrete, long term (say 10 years) or relatively short-term (say, three years), explicit or implicit, meaningful or mere window-dressing, and agreed on or a source of conflict (Patrizi & Patton, 2010). How a foundation approaches being strategic, and why it does so in a particular way, is a theory-of-philanthropy issue.

Strategy is a many-splendored notion that has as many alluring ways of looking at the world as a kaleidoscope. The great variety of approaches to strategy and strategic management led Mintzberg, Lampel, and Ahlstrand (2005) to title their book, *Strategy Safari: The Complete Guide Through the*

*Wilds of Strategic Management.* Indeed, there are a number of alternative and competing approaches to strategy (Reeves, Haanaes, & Sinha, 2015), and strategy can be manifest in different ways. A strategic plan states priorities and actions to be taken to address priorities. A strategic framework expresses the values that undergird a foundation's work and guides implementation of the strategic plan within the context of mission and vision. "Strategic philanthropy posits that funders and their grantees should have clear goals, strategies based on sound theories of change, and robust methods for assessing progress toward their goals" (Brest, 2010, p. 47). Which approach is appropriate for a particular foundation should be guided by and aligned with the foundation's theory of philanthropy. A coherent theory of philanthropy makes it easier to navigate the thicket of strategy options.

Adopting "strategic philanthropy" as a foundation's approach would make the tenets of that approach central to its theory of philanthropy (International Network on Strategic Philanthropy, 2005; Putnam, 2010). But those using the label "strategic philanthropy" do not all agree on what it means or what tenets constitute its core (Patrizi & Patton, 2010). Which meaning of strategic philanthropy a foundation adopts, if any, is a decision to explain in its theory of philanthropy.

And what is the actual practice among foundations? Research from the Center for Effective Philanthropy (2009) found that although most foundation executives believe it is important to have an explicit strategy to manage and inform their grantmaking decisions, relatively few foundations have actually developed one (Buteau, Buchanan, & Brock, 2009). A foundation that does have an explicit strategy would still face theory-of-philanthropy questions about how aligned all aspects of the foundation's operations – staffing, governance, relations with grantees, communications, evaluation – are with the tenets of strategic philanthropy. Examining alignment between strategic rhetoric and practical reality leads to opportunities for increased effectiveness. In essence, how a foundation approaches being

TABLE 4 Tips for Developing a Theory of Philanthropy

| Tips for Developing a Theory of Philanthropy |
| --- |
| 1. Use the Theory of Philanthropy Tool as a guide. (See Appendix online at http://scholarworks.gvsu.edu/tfr/vol7/iss4/4.) |
| 2. Begin by being organizationally and behaviorally descriptive: analyze current practices, not ideals. |
| 3. Collect and cross-reference supporting documentation. |
| 4. Use and triangulate key informant sources. |
| 5. Capture the foundation's history and dynamic story over time. |
| 6. Look for what distinguishes the foundation, makes it unique, and elaborates its niche. |
| 7. Test out articulating the opposite of a dimension: if taking risks emerges as a foundation focus, for example, what would not taking risks actually look like? |
| 8. Don't wordsmith entries into the elements; that comes in the synthesis. |
| 9. Expect ebb and flow of enthusiasm, but see the process through to the end. |
| 10. Include a plan for implementation, follow-up, and evaluation of the theory of philanthropy to learn how it informs the foundation's work. |

strategic, and why it does so in a particular way, is a theory-of-philanthropy issue whether or not it is labeled strategic philanthropy.

## Three Theory-of-Philanthropy Products

### Product 1: A Synthesis Statement of the Foundation's Theory of Philanthropy

The theory-of-philanthropy tool is an inquiry guide and data-organizing framework. It will not be a public document. The entries in the tool are used to create a synthesis statement that succinctly, accurately, and powerfully communicates the foundation's theory of philanthropy. The Blandin Foundation reviewed and reflected on all the elements in the tool, but its final theory-of-philanthropy statement focused on 10 overarching themes; the Palix Foundation settled on a synthesis including three major thematic aspects of the foundation's role. We opened this article with examples of foundations in which the parts were disconnected at best and often in conflict. We cited pioneering work on holistic systems thinking as a framework for articulating a theory of philanthropy. This requires synthetic thinking.

Synthetic thinking … differs significantly from analysis. In the first step of analysis, the thing to be explained is taken apart: in synthetic thinking it is taken to be a part of a larger whole. In the second step of analysis, the contained parts are explained: in synthetic thinking, the containing whole is explained. In the final step of analysis, knowledge of the parts is aggregated into knowledge of the whole: in synthetic thinking, understanding of the containing whole is disaggregated to explain the parts. It does so by revealing their role or function in that whole. Synthetic thinking reveals function rather than structure: it reveals why a system works the way it does, but not how it does so. Analysis and synthesis are complementary: neither replaces the other. Systems thinking incorporates both (Gharajedaghi & Ackoff, 1985, pp. 23-24).

A theory-of-philanthropy synthesis, then, brings together the analysis of distinct elements into a coherent, comprehensive, and comprehensible whole.

### Product 2: An Agenda for Future Development

Paul Shoemaker (2015) has discussed "reconstructing philanthropy from the outside in." For any specific foundation, such a reconstruction would involve a change in its theory of philanthropy.

Developing, articulating, and reviewing a theory of philanthropy is based first on an honest and diligent appraisal of current actual practice. This can then be compared to what the foundation

*Evaluative inquiry at the whole-foundation level brings a holistic perspective to bear to understand and enhance a foundation's effectiveness.*

holds forth as its ideal practices – practices the foundation believes, given its goals and the internal and external context, can most effectively catalyze change. A theory-of-philanthropy exercise culminates in identifying areas for improved alignment between the actual and the ideal. For example, the Blandin Foundation senior leadership team, having synthesized the core elements of its theory of philanthropy, took up the question of priority issues where improvements in effectiveness could and should be addressed. The theory-of-philanthropy exercise generated 10 items that needed alignment attention and work to bring practice more in line with ideals. The Palix Foundation, after synthesizing its theory of philanthropy to highlight three major roles in the foundation's work, used that synthesis as it navigated a phase transition in that work (and consequently in those roles), and entered a stakeholder-interview process to more fully bring out the key capacities and choices implied by those roles for the new phase.

### Product 3: An Evaluation Framework at the Whole Foundation Level

A theory of philanthropy offers a thoughtful and comprehensive approach to evaluation at the whole-foundation level. Done well, with engaged leadership, evaluative inquiry at the whole-foundation level brings a holistic systems perspective to bear to understand and enhance a foundation's effectiveness. Each element in a theory of philanthropy invites three basic evaluation questions for learning, improvement, and accountability (see Table 4):

1. Are we walking the talk? Are we implementing the vision, rhetoric, and desired processes articulated in our theory of philanthropy?

2. What are the results for this element in the theory of philanthropy?

3. How do these results align and interact with results of other theory-of-philanthropy elements?

### Three Theory-of-Philanthropy Results

*Result 1: Deeper Understanding, Commitment to Work for Internal and External Stakeholders*

The theory-of-philanthropy exercise involves deep reflective practice for the foundation leadership, both staff and board. Blandin staff described the process as "making the invisible visible." The conversations that occurred, the history and perspectives shared, the insights generated, and the commitments deepened had value beyond what was, or could be, captured in the final written statement. The organizational and staff development process had its own team and foundation impact. The Palix Foundation's leadership described their experience in similar terms; they began sharing the internally developed theory of philanthropy with external advisors and stakeholders and found that as more people understood its key elements, more opportunities emerged to connect stakeholders in productive action.

*Result 2: Greater Alignment Among Strategic and Operational Elements*

This article opened with a discussion of the importance of alignment among various foundation parts: mission, grantmaking, governance, staffing, resource allocation, strategy, values, relationships with grantees, communication, planning processes, administration, and evaluation. The development of a theory of philanthropy reveals areas where alignment can be enhanced and what is necessary to increase holistic alignment. Greater alignment and coherence results from acting on the insights generated during the process.

### Result 3: A More Effective Foundation With Greater Impact

Articulating a coherent theory of philanthropy is not an end in itself. Deepened understanding of and commitment to the foundation's work for those who participate in the theory-of-philanthropy process is not an end in itself. Greater alignment among the many strategic and operational elements of the foundation is not an end in itself. The bottom-line result that makes the theory-of-philanthropy work worthwhile must be a more effective foundation with greater impact.

Our experience with organizational consulting and the organizational effectiveness literature lead us to believe that coherence and alignment between a foundation's conceptual underpinnings and philanthropic practices, between thinking and action, and between strategy and execution, will contribute demonstrably and sustainably to greater mission fulfillment. In the end it's about making the world a better place.

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*Michael Quinn Patton, Ph.D.,* is an independent organizational development and evaluation consultant based in Minnesota who consults extensively with philanthropic foundations locally, nationally, and internationally. Correspondence regarding this article should be addressed to him at 740 Mississippi River Blvd S., Apt 21E, Saint Paul, MN 55116, email: mqpatton@prodigy.net.

*Nathaniel Foote, J.D., M.B.A.,* is managing director of TruePoint, a founding board member of the Center for Higher Ambition Leadership, and a senior fellow at the Harvard University Center on the Developing Child.

*James Radner, M.Phil.,* is assistant professor at the School of Public Policy and Governance at the University of Toronto; senior fellow at the Center on the Developing Child at Harvard University; executive director and co-founder of the Boreal Institute for Civil Society; and senior fellow at the Munk Centre for International Studies.