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Wealth&GivingFORUM

Discourse and Reflection on Generosity



Outcomes, Measurement and Impact

If the philanthropy world were to label 2011, it would certainly be dubbed the “Year of the Great Debate on Outcomes, Measurement and Impact.” Not that these terms and the focus on them are new by any means. Serious philanthropists of all ages and places have always wanted to know if their giving really helped those in need and in ways that have a lasting impact of their lives. In fact, Andrew Carnegie, one of the founding fathers of modern philanthropy, approached his giving with deep analysis and measurement of his charitable endeavors.

But as Randy Hustvedt underscores well in this edition of the W&GF communiqué, so much has been written, spoken and blogged about the “measurement movement” in 2011, that one would be hard pressed to find another time when this topic has been so front and center in the formulation and practice of giving.

A Fresh Perspective

In the following pages, Randy draws upon her many years as an advisor to wealthy families and a deep understanding of behavioral finance to provide practical insights on this great debate. She provides an overview of the principal theses, and cautionary advice from recently published books by Mario Morino (W&GF participant), Joel Fleishman, Tom Tierney and others, and from the remarks of Gara LaMarche (Atlantic Philanthropies CEO) at the Social Impact Exchange conference in New York this past June.

What you will find in this communiqué is a clear message that philanthropists need to measure, but in a way that keeps the *caring for and trust in others* foremost in their hearts and minds, lest the charitable arena starts to display some of the ills we see in some of the other sectors of our society.

So with thanks to Randy and a reminder to heed Einstein’s famous observation that, “Not everything that can be counted counts, and not everything that counts can be counted.” -- happy reading.

- Glen Macdonald

INSIDE THIS ISSUE

Metrics and More.

Randy Hustvedt explores the place for both measurement and passion in effective philanthropy.

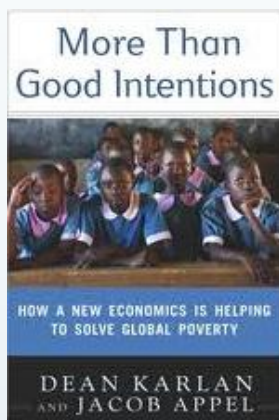
Food for Thought.

In this issue, we offer you not one but four book picks, all of which explore the challenge of measuring philanthropic impact.

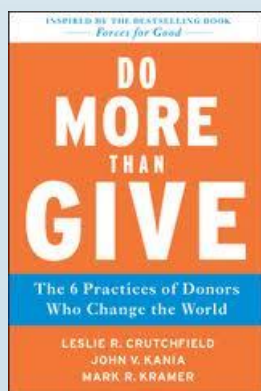
Wealth & Giving Forum

was founded in 2003 to promote greater generosity among individuals and families of significant means and to make more resources available for good causes. Through its semi-annual invitation-only gatherings, regional and topical programs, and publications, the *Forum* provides a thoughtful, private meeting ground for individuals and families to reflect with their peers on how best to allocate their wealth.

Book Picks



More Than Good Intentions illustrates how initiatives that take into account basic human behavior can drastically improve the well-being of the poor.



Crutchfield, Kania and Kramer, experts in the field, show how grant-makers, large & small, can catalyze real change.

Metrics....And More - by Randy Allison Hustvedt

As advisors to individuals of means and conveners of philanthropists, we've enjoyed a ring-side seat to the rewards and challenges of charitable giving. We've watched those we serve give money away assuming that, since it had a charitable purpose, it would be sure to do good. When asked if they believed their giving was making an impact, many would look at us with disbelief and wonder what we were thinking. The common wisdom was that good intentions begat good results. Well not always. Over the past decade or so, metrics and measurement have become increasingly mainstream and pervasive in the charitable arena. And while we have embraced the movement wholeheartedly, we also hope that this trend does not undermine the core essence of philanthropy, i.e. the genuine and heartfelt caring for others that is the principal motivation behind most people's largess. We have been able to show Wealth & Giving members why charities should be held accountable for results.

Intentions alone do little good; money alone can do even less

So we continue to encourage folks to incorporate performance management and impact analysis in their philanthropic giving. After all, who among us wouldn't care whether the money we put to work is achieving the intended results? We are pleased that the average donor can now rely on numerous organizations to help evaluate their giving. (See [Givewell](#), [Charity Navigator](#), [Great Nonprofits](#), [Center for Effective Philanthropy](#) and [Guidestar](#).) We are **not** pleased to announce that too few people take advantage of these valuable services—but that is another issue.

For now, let us offer these observations on the "measurement and impact movement" with the hope, as always, that it helps inform your personal giving strategies.

The Measure Movement is under fire

Some vocal critics have recently emerged, claiming that measurement can be misguided and misused, and that too much analysis can clog the system. In fact, a rather controversial column was published by Steve Lawrey entitled: "When too much rigor leads to rigor mortis." ([Click here](#) to read that article.) Of course, anything taken to an extreme can do harm.

But, as Ken Berger, CEO of Charity Navigator said in a recent post, "Measurement tools such as primary constituent feedback, volunteer reviews, expert reviews, independent in-depth research and analysis, among others, all have value and provide different perspectives that can lead to a rich, multifaceted view of a charity's performance. Some are simple measurement tools and others are more complex. They vary in rigor, but all have a place in the spectrum of tools available to look more comprehensively at how a charity is performing." (www.nonprofitquarterly.org; March 2nd, 2011)

Book Picks



Tierney & Fleishman offer a framework for moving philanthropy from “aspirations to impact.”



In this monograph, available for \$1 as a Kindle download, Mario Morino, co-founder of Venture Philanthropy Partners, outlines a framework for helping nonprofits manage to outcomes.

It Starts With the Heart

We applaud the metrics movement and will continue to do all we can to support it. We are thrilled to see this discussion reach a new level and thrilled to see relative newcomers to the field like my friends at Givewell elevate the conversation to a far more sophisticated level for mainstream audiences. We are also thrilled to see CharityNavigator over-haul their reviews to strive to deliver meaningful metrics to a mass audience. Without measurement of impact, a charitable gift can be remarkably similar to me buying yet another pair of black patent stilettos. Is it necessary? Probably not. Does it harm or help society overall? Who knows. Does the purchase make me feel good, momentarily at least? You betcha!

However, as anyone who has studied behavioral finance knows, rational men and women exist mostly in economic textbooks, not on the streets of America or elsewhere. Seemingly “irrational” behavior evidences itself in many investing decisions. (Unless Soros or Buffet is among our readers, we would posit that most of you have panicked and sold your investments at the worst possible time on more than one occasion, due to humans’ ingrained fear of loss.)

Purely rational people exist mostly in economics textbooks

The same “irrational” behavior is evident in our decisions regarding our diet, exercise regimes (or lack thereof) and, of course, in our charitable giving. Personally, I am as vulnerable to the “irrational” giving response as anyone. As much as I rail against the countless irrelevant stories and pictures thrown up by most charities and beg my clients to just take them for what they are worth (pretty much nothing) I am so prone to being influenced by pictures of abused animals that I have given my husband strict instructions to never let those solicitations enter our house.

Most people are moved by stories of suffering and respond disproportionately to dramatic and extraordinary events. Also, according to noted psychologist Paul Slovic, our cognitive and perceptual systems are designed to sensitize us to small changes in our environment, possibly at the expense of making us less able to detect and respond to large changes.

An example of the irrational response in philanthropy is cited in a [paper by Slovic](#) entitled, “If I Look at the Masses I will Never Act.” He explores why, in spite of saying “never again” after Nazi Germany, we have all sat passively by as atrocities happen again and again. Many of us still remember baby Jessica, the cute kid that got stuck in a well 20 years ago, but don’t seem to care as much about genocides such as the one in Rwanda, where 800,000 people were murdered in about 100 days while the world watched and did nothing. Baby Jessica supposedly got more CNN coverage than Rwanda.

For more recent evidence, witness the recent outpouring of sympathy and outrage over the death of Caylee Anthony, a tragic but single event, versus the coverage, or relative lack there-of, of Somalia, where an estimated 310,000 people now suffer from acute malnutrition according to a recent UN announcement.

Perhaps to expect people to make philanthropic decisions by dispassionately weighing evidence alone is actually the height of irrational thinking.

"Nothing great in the world has ever been accomplished without passion."

- Philosopher Georg Wilhelm Friedrich Hegel

Let's Not Throw the Baby Out With the Bath Water

After having spent far too many years trying to convince people to give based on metrics alone, we hereby officially throw down the gauntlet and give up. It was a misguided mission to begin with. Metrics are critical but few men and women will live, or give, by metrics alone.

As Gara LaMarche, President and CEO of Atlantic Philanthropies said in a recent speech he gave at the Social Impact Conference, "No one marches to war under the banner of effectiveness. People mobilize to right a wrong or address an injustice. They convene around a collective will to change the world for the better."

We agree in his assessment that, "Rigor and moral clarity need not be in tension. They are mutually reinforcing and mutually dependent." ([Click here](#) to read Gara's speech.)

Passion & emotion—combined with data & analysis—are like a gin and tonic

Phil Buchanan, president of the Center for Effective Philanthropy, got it right in saying: "...while passion and emotion are often the problem because they lead us astray, they're also the solution. For it is only a passionate commitment to really getting it right—to seeing results—that can provide the will and discipline necessary to do the hard work of data-gathering, strategy formulating, assessing, and analyzing."

He goes on to say that passion and emotion, combined with data and analysis, can be more like a gin and tonic, especially on a hot summer day, than oil and water. Together they form something better than either alone. (www.tacticalphilanthropy.com; 24 Jun 2011)

And with apologies to Phil and Gara (though we trust they won't mind being cited in this company) perhaps it was Einstein who said it best: **"Not everything that can be counted counts, and not everything that counts can be counted."**

The challenge for all of us is to move beyond feel-good philanthropy and the use of silly metrics like overhead expenses. Robust evaluation of one's giving is hard - but like many hard things, extremely gratifying. Thoughtful, focused donors can help shape a future in which charities do more than tell moving stories about their good intentions and hard work. They can help shape a future where outcomes and real achievements are showcased, a future in which hard data trumps anecdotes.

Yet as we become more "rational" in our philanthropic decision-making, let us not forget that, first and foremost, joy and passion are key ingredients in charitable giving.