

To: Luis Ubiñas, incoming President, The Ford Foundation
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Subject: Global Philanthropy: Strengths, Weaknesses, Opportunities and Threats
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Congratulations on your appointment as the ninth President of the Ford Foundation—a wonderful continuation of your achievements as a new media expert at McKinsey and Company. It's a great time to be a philanthropist, especially one with the global vision, resources, and moral authority of the Ford Foundation.

The world really needs what the Ford Foundation does right now. From promoting human rights and environmental protection to eradicating poverty and disease, global philanthropy is in growth mode. Your constituents (in other words, the human race) increasingly believe that non-profit organizations are often better than governments and for-profit companies at promoting these goals. You've got unprecedented public saliency.

And you're also going to have a whole lot of money. The global economic expansion of the last decade has doubled the number of high net worth individuals and the projection is that these ranks will double again in the next ten years. You'll be able to tap the newly wealthy in places like the Middle East, China and India, who are starting to get the message about the importance of philanthropy. Best of all, the non-profit world has never been more open to the kind of private sector management expertise you bring as a former principal at McKinsey.

At the same time, there are enormous downside risks—for the world, to say nothing of the Foundation. The new class of global wealth that will fund your activities is a source of great social and political resentment; many governments are questioning the legitimacy of philanthropic and NGO action; and declining state investment in public goods means the human cost of philanthropic failure has never been higher.

So, what should you do?

The track record so far

The first thing to realize is that your new job will be a lot more like your old one at McKinsey than some folks realize. Key to your success will be

strategic choice-making: assessing opportunities and risks, entering and exiting businesses, and redesigning core processes.

What defines your mission is not giving away money. *Think of yourself not as a charity, but as an investor, and a very special one.* When the Ford Foundation makes a grant, it's not just money. It's a sign of legitimation, a seal of approval on a project. Where your money goes, other philanthropies and NGOs will follow. You're running a combination ratings agency and venture capital firm: your money focuses attention, carries other peoples' effort with it, creates a multiplier effect. Overall strategic focus will be more important than the success of any single project.

From this perspective, the historical record of global philanthropy should give you pause. There have been great successes. The Green Revolution, financed largely with money from the Rockefeller and Ford Foundations in the 1960s, created the high-yield crops that have alleviated hunger for hundreds of millions of people. Grameen Bank-style microfinance has empowered millions of poor villagers to lift themselves out of debt peonage. But you can't overlook the enormous failures. Eradicating global poverty? Nearly a billion people still live on less than a dollar a day, and whatever reductions have taken place have had a lot more to do with the industrial growth of China than with the efforts of philanthropists. Where's the clean water foundations keep talking about? The vaccines? Education for women? And what about the promised progress against the global HIV epidemic, an ambition that global philanthropists have repeatedly recommitted themselves to over the last two decades, without real success.

At McKinsey, this kind of record would have earned a C+.

So, how can you do better?

It's the politics

The most important thing is to stay sceptical about the philanthropists' pretension to higher moral authority. Talk about moral authority to your staff and to the press if you wish, but don't let it enter your strategic decision-making calculus.

Instead, you need to embrace the fact that *you're in a political game through and through.* The other players in this game (and these are only the ones you already know about) include states, super-empowered individuals, international organizations, local and global media, other foundations, and for-profit firms. These players have their own agendas, and even your "friends" won't always want the same things as you want. Even when they do, they may inadvertently undermine your ability to reach

your strategic objectives. What democratization activist today doesn't regard George Bush's "democracy promotion" as a poisoned chalice?

Embracing your political role will help you to understand and deal with the fact that insofar as you're doing good by promoting democracy, eradicating poverty, or reducing disease, *important actors out there want you to fail*. There's the obvious case of Russian president Vladimir Putin, who makes no bones about wanting to crush NGOs. But there are also more subtle cases: the village elder who will look askance at your woman's health clinic; the ethnic group that will feel left out when you fund a local industry that a different ethnic group dominates; or those who regard labor and environmental protection as limits to their growth.

When you manufacture winners, you're also creating losers. You need to embrace the fact that philanthropy, as much as private enterprise, is about creative destruction. Keep your diaries of Mother Theresa close at hand, but keep your Joseph Schumpeter even closer.

So here are three Schumpeterian kinds of goals to shoot for over the next decade:

1. Own the Definition of "Global Public Goods"

You think management consultants are drunk with jargon? Just about every person who walks into your office will lecture you about "global public goods" and how Ford should be "providing" them. Make them specify what they mean by that. They will probably look bemused; as in "Does this ex-management consultant simply not *get it?*"

Don't fall for that. The world needs to do lots of things better, and not all of them are public goods. Every state leader wants to redefine as global public goods things that his or her state should provide to its citizens, so that somebody else will make it happen and pay for it. As formal international organizations get more bureaucratic and less efficacious, foundations like yours have become the favored target of this game.

Epidemic disease surveillance is a good example of how they will play this with you. Sure, it's in the world's interest that we have a global disease surveillance system, and no single government is going to make it happen. There's a role for philanthropy here—but only as a catalyst. Don't be seduced into thinking that you or your fellow philanthropists should be building it yourselves.

The global need for disease surveillance does not mean that foundations should take on the entire costs of public health systems for poor coun-

tries. It does not mean that you should relieve the obligations of dysfunctional governments to provide basic services to their own citizens. Don't end up becoming known as the reliable humanitarian savior of last resort for governments that fail. It will simply enable their corruption and dysfunction.

And instead of the governments that screwed up in the first place, you will get the blame when something goes wrong—as it inevitably will. Since you're the iconic "rich western foreigner" who "doesn't understand how things *really* are," the blame game could get really ugly.

When your visitors tell you about global public goods, you come right back at them with "moral hazard." Don't let state leaders feed at that trough. The role of a catalyst in public goods is to get the process started, and to pressure others to ante up through concrete conditions and contingencies that you actually enforce. Call it "tough love" if you like that better, but don't get trapped in providing the lazy, cheap, or failed states' safety net.

2. Get Serious about Globalization

The second obligatory piece of jargon that visitors will throw your way is "globalization." Each will mean something different when she says it, and each will have her own idea about what you supposedly "must" do about it. The pundits have a point: The mobility of goods, ideas, money, and (to a lesser extent) people around the world has increased substantially in the last hundred years, and at an accelerated pace in the last 20. And thus mega-philanthropies need to do... what exactly?

As always, you should ask "what's really different" and "why should the Foundation care"? You'll find that the answers are not so new-era revolutionary as the pundits like to claim. Globalization-talk makes for good popular book sales, but not good strategic philanthropy.

The local issues that globalization brings will seem remarkably familiar. It's economic change, which inevitably means displacement of existing ways of life for lots of people, from un-competitive village farmers in Ecuador to equally un-competitive auto workers in Detroit.

If you breathed any of the air at McKinsey, it's probably an article of faith for you that aggregate wealth is increasing even though some people are getting hurt -- and so the problem here is redistributing a piece of that surplus in ways that mitigate the pain of change. The question for you will be how much mega-philanthropy should be responsible for this, as compared to governments, corporations, and good old markets. You better

have a clear rationale for your answer to that question, because otherwise it will eat up all your time and every penny of your endowment.

The bigger issue for you to ponder here is the changing global division of labor. There's a major shift coming that will impact directly on philanthropy: Get ready for the big-time emergence on the global scene of non-Western philanthropists. If you think it's sometimes tricky to deal with the Greenpeaces, Medecins Sans Frontiers, and Richard Bransons of this world, just wait until you find yourself bargaining—and competing—with the first Chinese mega-philanthropist who decides to bring his or her vision of "justice" to parts of Africa. Or the Middle East. Or perhaps the slums of Los Angeles and Cleveland.

Of course, the coming rise of non-Western philanthropy doesn't have to be bad news. Just like multinational corporations with non-American home countries, Chinese and Indian mega-philanthropies will act differently than you do. Honor the diversity of their goals and methods, and help them find an effective place in the division of labor. You may even want to offer advice to foreign governments about how to set up philanthropic-friendly tax regimes, their own equivalent of 501(c)(3) rules.

But watch closely for the downside. In some places, philanthropy will almost certainly become a legitimated vehicle for promoting intolerance and extremism—or simply the political ambitions of their host governments. What we call "madrassas," some Saudi charitable organizations call "assistance with education for development." You want to influence this? One thing is certain: American capabilities to shape global rules of the game for philanthropic behavior is probably never going to be stronger in the future than it is at present. So now might be the time to get serious about promoting some kind of global code of conduct for international philanthropies and NGOs.

3. Use Your Market Power—Prudently

The people who call themselves venture philanthropists understand something very important about the game you're in. Like any other investment game, it's about risk and return. The Ford Foundation is big enough to take on risks like almost no other philanthropy. Let others harvest the low hanging fruit. You can do much more than simply fix obvious problems. You can really shape the game if you want to.

Which is both exciting and dangerous. Investors, as you know, are painfully subject to faddish intellectual trends. Remember the "new economy" of the 1990s, where Pets.com had a higher market capitalization than General Motors? Or the housing market that can only go up?

Philanthropies are subject to exactly the same kind of intellectual arrogance and herd behavior. Think back over the last decade or so to what everyone thought they knew to be true about the political economy of development. Ten years ago, it was fiscal discipline and convertible currencies. Then, for a while, it was education and family planning for women. Then it was property rights for land. Then it was telecom liberalization and information and communications technology “readiness.” Then it was clean water, not laptops. Now it’s “good governance”—whatever that means, exactly.

These theories often tell you more about intellectual fashions in academia and the economic interests of donors than they do about what’s actually happening in the developing world. The people who promote the newest theory are generally honest, well-meaning, and passionate about their goals. But they don’t have to live with the consequences. You—and your constituents in the developing world—do.

So stay skeptical about the latest so-called “definitive” research findings. Listen to the locals on the ground at least as much as you listen to the economists in NY and DC. Run lots of small-scale experiments with them as your eyes, ears, and data collection devices. Your board of directors and your management team will constantly be on your back for metrics of success. Come right back at them with metrics of learning. It’s okay to fail, on a small scale, and quickly, if you learn incrementally how to do better next time. In fact it’s exactly what you need to be doing.

A Final Thought

A final note of challenge, Mr. President: keep your interventions strategically broad. It’s easy, when you are big and rich, to do lots of small good things. But that is not your mission. A few less kids with cleft palates and some mosquito nets make for good press in the West. And yes, these things will make some individual human lives better. But they do not constitute success for an organization like the Ford Foundation. Nobody ever hired you at McKinsey to help sell a few more widgets. They hired you to take some risks in the search for substantial returns, to build a new value creation system. The world needs the Ford Foundation to do the same thing. Good luck!