150 West 30th Street, Suite 900 ■ New York, New York 10001
■ 212.726.0177 ■ Fax 212.594.4292 ■ jfn@jfunders.org ■ www.jfunders.org

A JEWISH FUNDERS NETWORK MONOGRAPH

RESHAPING THE LANDSCAPE OF PHILANTHROPY THROUGH PARTNERSHIPS

BY
JEFFREY R. SOLOMON, PHD, PRESIDENT
Andrea and Charles Bronfman Philanthropies
AND
MARK CHARENDOFF, PRESIDENT
Jewish Funders Network

The **Jewish Funders Network** (JFN) is an international organization of family foundations, public philanthropies, and individual funders dedicated to advancing the quality and growth of philanthropy rooted in Jewish values. JFN's members include independent philanthropists, foundation trustees and foundation professionals—a unique community that seeks to transform the nature of Jewish giving in both thought and action.

THE JEWISH FUNDERS NETWORK GRATEFULLY ACKNOWLEDGES THE SUPPORT OF THE ANDREA AND CHARLES BRONFMAN PHILANTHROPIES IN THE PRODUCTION OF THIS MONOGRAPH

A JEWISH FUNDERS NETWORK MONOGRAPH

RESHAPING THE LANDSCAPE OF PHILANTHROPY THROUGH PARTNERSHIPS

BY

JEFFREY R. SOLOMON, PHD, PRESIDENT
Andrea and Charles Bronfman Philanthropies

AND

MARK CHARENDOFF, PRESIDENT
Jewish Funders Network

INCREASINGLY, Jewish philanthropists are becoming more entrepreneurial in their funding, pursuing their work through their own efforts, either by creating their own foundations or simply engaging in individual philanthropy. Creating philanthropic partnerships is a notably important element of this new funding landscape. Driving the demand for greater control and independence is an expansion in the number of active, living donors.

Partnership can provide philanthropists the ability to leverage their assets to achieve broader philanthropic objectives.

Philanthropists want to be involved in the process and they want to see results. Partnership can provide the ideal vehicle for these ambitions while allowing funders the ability to leverage their assets to achieve broader philanthropic objectives. In fact, directed giving philanthropy lends itself to dynamic and often unconventional partnerships, which are becoming an ever more prominent feature of Jewish philanthropic life. The very novelty of the concept, however, can breed confusion. In this paper, we would like to point out some of the pluses —and minuses—of this kind of collaboration.

While the notion and practice of partnership is well established in the business world, its terms and implications are not necessarily well understood in that of philanthropy. An imperfect grasp of what partnership entails can result in false or skewed expectations and disappointment on the part of those involved, jeopardizing the initiative. Philanthropic partnerships have the potential to achieve tremendous societal good, but that potential is put at risk when the arrangement is entered into without proper reflection. Partnership requires far more exploration in thought and deed than is currently standard in the field.

The newfound popularity of funding partnerships reflects not simply a passing fad but a fundamental change in the way funders are conducting their philanthropy. Some of the most dynamic and best known examples of projects of Jewish interest that were created through funding partnerships are PEJE (Project for Excellence in Jewish Education), birthright israel, the Joshua Venture and STAR (Synagogue Transformation and Renewal project).

Philanthropists today are more ambitious and entrepreneurial. They are broadening their vision and setting higher goals. No longer content simply to write a check to a local Jewish agency, many Jewish donors today demand more influence and are seeking to collaborate with each other in more flexible arrangements, rather than deferring to a central bureaucracy.

We are witnessing a transition between the public philanthropy which has served the North American Jewish community so well for over a century and an increasingly potent private philanthropic sector that introduces new norms and a new culture of giving into the philanthropic picture. This is also occurring within the larger philanthropic context, as private philanthropic growth outpaces public organizational philanthropic growth.

Building these types of partnerships can be a win-win situation for everyone. Done well, a funding partnership can leverage all participants' money. It can also build confidence among the partners to engage in more—and bolder—projects. For first time funders, or for philanthropists who are exploring new project areas in which to invest, a partnership can help build confidence in their giving and even encourage them to give more. Leveraging offers everyone an advantage by taking a small amount of funds to attract additional funders, or to supplement initial investments.

Additionally, foundations—often supported by living donors—increasingly engage in operating programs but seek out funding partners for their work. The Sacta-Rashi Foundation, which supports efforts to eradicate the social and economic divide in Israel, is a good example of a foundation that creates philanthropic partnerships to pursue its goals, often in conjunction with governmental support. "Our strategic partnerships with governmental, public and private bodies help leverage the financial and operational resources of each partner to achieve greater impact and sustainability," explains Hubert Leven, Sacta-Rashi's president. An example of this is the Enriched School Day Program (ESD) which began in 1994. Starting with 1200 children of new immigrants, the program now includes 60,000 children from disadvantaged backgrounds in Israel's geographic and social periphery, providing enhanced learning, enrichment activities and a hot lunch on four afternoons a week. This program was able to grow because of the alliance between Sacta-Rashi, Israel's Ministry of Education and the country's local authorities.

Today, the Ministry of Education is the main funder, with Sacta-Rashi responsible for management and operation. Additionally, Jewish community foundations have become limited partners, providing more revenue for the children's services.

The healthy humility that characterizes the non-profit world—the acknowledgement that one does not necessarily know it all—lends itself to partnership.

The healthy humility that characterizes the non-profit world—the acknowledgement that one does not necessarily know it all—lends itself to partnership. Partnership, by its very nature, breeds further partnership. Thanks to the implication of reciprocity and the collegiality that entails, joint funding ventures lead to further ventures—creating an expanding network of partners—and more partnerships.

There is much to recommend in partnership as a philanthropic tool. The principle of leverage allows funders to transform what would once have been a "pet project" into an initiative with a far broader base of support. Active engagement creates a sense of commitment, with donors having a greater stake in seeing initiatives succeed. At the same time, the dynamic of partnerships increases the knowledge and broadens the horizons of individual funders. Collaborations build a network with an ever-increasing store of intellectual capital. Alliances between funders also encourage cooperation between service providers, with the potential of further cross pollination and greater administrative efficiency.

Not only has the number of living donors increased, but the proportion of living donors with business experience has increased as well.

"While philanthropic partnerships are difficult to establish and even harder to sustain, those that succeed are well worth the effort," notes Lynn Schusterman, president of the Charles and Lynn Schusterman Family Foundation, one of the largest and most collaborative Jewish funders.

"Successful partnerships create more excitement, stimulate greater creativity and generate larger pools of resources—both human and financial—than would otherwise be brought to bear on the particular issue the partners have decided to address or the program they have decided to pursue."

A CHANGING PHILANTHROPIC LANDSCAPE

THE MOST IMPORTANT element in the rise of philanthropic partnerships is certainly a result of the change in the makeup of the philanthropic community. Not only has the number of living donors increased, but the proportion of living donors with business experience has increased as well. For such funders, their entrepreneurial background tends to instruct their philanthropic methods. This is especially true for those who have had experiences in hedge funds, IPO venture opportunities, real estate, investment trusts, and a range of new capital vehicles that have become popular in the past few years. Many clearly understand and appreciate the rules of OPM (Other People's Money). They like the notion of using leverage to accomplish their philanthropic goals, and their model is a partnership model. In this way, the economic boom that allowed these passionate entrepreneurial givers to emerge is transforming the business of giving.

Additionally, the trend toward increasing privatization is having an impact on philanthropy. As services continue to shift to the private sector in North America and around the world, people have come to expect a more results oriented not-for-profit sector, where entrepreneurs play a critical role in management and accountability, in addition to the role traditionally played by not-for-profits.

As a recent survey on philanthropic trends in the February 23, 2006 edition of *The Economist* magazine stated: "Many of the new philanthropists are well aware that traditional philanthropy is not sufficiently businesslike. They want to bring about a productivity revolution in the industry by applying the best elements of the for-profit business world they know. That has prompted the industry to adopt (and adapt) some of the jargon familiar from the world of business. Philanthropists now talk about 'social investing', 'venture philanthropy', 'social entrepreneurship' and the 'triple bottom line'. The new approach to philanthropy is 'strategic', 'market-conscious', 'knowledge-based' and often 'high-engagement', and always involves maximizing the 'leverage' of the donor's money.

The article continues, "Leverage is particularly important to the new philanthropists. They know that however large their personal fortunes, they are dwarfed by the financial resources at the disposal of governments and in the for-profit marketplace. So to make a real difference, they need to concentrate their resources on problems that are not being dealt with by governments or for-profit organizations. Being constrained by neither voters nor shareholders, they can take risks to find pioneering new solutions that can then be adopted on a larger scale by governments or for-profit firms."

Change, however, is not always smooth and cross-pollination between the business and non-profit sector is not always fool-proof. Those members of the funding community with far less business experience are generally unfamiliar with the notion of entrepreneurial partnership. On the other hand, philanthropists with a great deal of business experience and a firm understanding of how partnership works in the for-profit sector are often relatively inexperienced in philanthropy and unaware of how such concepts could best be translated to the non-profit environment. Such confusion can lead to ineffective partnerships, wasted resources and even put important philanthropic initiatives at risk.

WHAT PARTNERSHIP IS NOT

WORKING in partnership does not mean simply finding someone else to fund your pet project, or even finding someone else to help you fund your pet project. Partnership, in its deepest form, is about shared passions, about two or more people coming together to solve a problem and find a mutually agreed upon solution, jointly financing the effort to address the problem and seek out the solution or solutions. Forging partnerships is not a panacea for acquiring enhanced funding for a project or grantee. In fact, it is hard work.

The Israel Venture Network is a venture philanthropy network of high-tech entrepreneurs and business executives from Israel and the US that focuses on scalable, systemic solutions for the social, educational and employment crises in Israel. "IVN has developed a successful model for 'Program Partners' in its work in Israel," explains Eric Benhamou, the chairman of the board of directors of 3Com Corporation and palmOne, Inc., who also chairs the Israel Venture Network.

"The IVN model enables different types of partners—Federations, corporations, foundations—to become as involved as they desire in the oversight of our joint programs, through the active participation of IVN members, both in Israel and the U.S. This allows different partners the opportunity to enrich their relationships in Israel with particular towns and cities

Forging partnerships is not a panacea for acquiring enhanced funding for a project or grantee.

or to support specific initiatives based on their strategic priorities like education, youth-at-risk, social entrepreneurship and job creation. By partnering, we are able to leverage both available funding and experience in the field in order to maximize the impact of our interventions, creating a 'win-win' situation," says Benhamou.

IN PARTNERSHIP WITH NON-PROFITS

THE IDEA OF partnership in philanthropy doesn't just involve philanthropists. Of course, the non-profits are an essential part of the equation. Often, people who work in non-profits and the philanthropists who fund them consider the notion of partnership in very different ways. Those working in non-profits sometimes view partnership as a clever way to solicit funds and that can lead to frustration. Philanthropists, meanwhile, who often come from the business world, are used to partnerships selling themselves or to the rigors of the marketplace; they aren't used to waiting years for results, or for results that may not be immediately apparent.

Partnership in philanthropy doesn't just involve philanthropy ...the non-profits are an essential part of the equation.

For these funders who come from the business world, a good philanthropic investment means getting a profitable return on the dollar, but that's not how the not-for-profit world works. In business, success is measured in financial return on investment. That's rarely the case, though, in the non-profit world, where return is often measured in more elusive social change.

Social return should be enough to convince a funder that his or her investment is a worthy one, but it's often not enough to satisfy the philanthropist's personal needs. Still, the fact is that financial numbers simply don't tell the whole story. If a philanthropist enters into a partnership with a non-profit, he or she will also be exposed to the culture of non-profits, which is dissimilar from the corporate world.

Sometimes, there is a cultural clash when a philanthropist joins hands with a non-profit partner. Dispassionate funders may have little patience for board meetings, committees, extended decision making processes, and the rest of the institutional culture that is part of the non-profit make-up. But these non-financial matters need to be considered in any equation for a funder and a non-profit to forge a useful, working relationship. Maneuvering the partnership paradigm in this type of a situation can make for a profitable—and rewarding—investment on the part of the philanthropist. Clarity regarding the definition of success for all the stakeholders in a non-profit endeavor is terribly important. Once there is consensus for how to quantify success, a determination of measurable outcomes can be made so that stakeholders have a transparent means of determining the return on their investment.

THE MODELS—THREE DIFFERENT WAYS OUT OF THE MUDDLE

IN FUNDING partnerships, it is crucial that those involved understand precisely the terms of the arrangement and the vision for success. Whatever form the partnership takes, the structure and roles should be clearly defined and agreed upon by all parties. In this type of collaborative grantmaking, there are at least three prevalent business inspired models to follow. Although in the real world, each partnership becomes a hybrid of one or more of these models.

Even if a partnership begins in one mode, it may quickly shift due to the dynamism of the personalities involved and the programs or projects that are being funded. The important thing is that at every step of the process, there is agreement between—and among—the partners about how things are being funded, how things are being managed, and what role each participant is playing.

Here are the three models:

The **GENERAL PARTNERSHIP** model of equal funders with equal commitments, equal rights and equal responsibilities;

The **MANAGING PARTNER/LIMITED PARTNER** scenario where the managing partner has greater financial commitment and greater responsibilities than the limited partners;

The **GENERAL PARTNER/TARGETED PARTNER** model where a funder assumes primary responsibility for a certain element of the project and enjoys managing partner status over a specific piece of a project.

GENERAL PARTNERSHIP

The general partnership philanthropic model is based on the same principles as a general business partnership. Each participant makes an equal contribution and expects equal rewards, and none has a majority voice in decision-making. In both the business and philanthropic worlds, these partnerships are generally based on longstanding and robust personal relationships. But this type of partnership also works best when there is a shared vision of the project, a vision that is discussed beforehand and agreed upon.

With all partners equal in commitment and influence, this model lends itself to shared long-term strategic objectives. Such an arrangement can bring serious power, influence and financial clout to the table. However, even when the objectives are focused and the consensus is clear, that very need for consensus often limits its effectiveness and can dilute the impact. Too many cooks in the kitchen can lead to confusion, delay and indecisiveness.

Whatever form the partnership takes, the structure and roles should be clearly defined and agreed upon by all parties.

MANAGING PARTNER/ LIMITED PARTNER

The second model is a partnership based on a managing partner/limited partner engagement. In this instance, the managing partner is generally the organizer of the initiative and assumes responsibility for obtaining necessary capital, providing ongoing management and moving the initiative forward.

As in the world of real estate, the managing partners generally have responsibility for providing a larger share of the capital than other individuals (the limited partners) and for the management of the project. All parties entering into such partnerships understand their relative roles: the managing partners create, organize and drive the project and the limited partners are investors expecting a return on their investment with timely reporting and transparency. We believe that this analogy works effectively in the nonprofit arena—both in funding and service delivery settings.

This formula allows the general partner to avoid what they see as the tyranny of consensus. The need for consensus can be frustrating to entrepreneurial funders and operating agencies whose success is frequently due, in large part, to their ability to drive ventures unilaterally. Much of what drives them to create new initiatives—and invest their passion and resources in those initiatives—is a vision to which they are single-mindedly committed. The notion of diluting that vision in order to reach consensus is often seen as a compromise that does not necessarily benefit the initiative, or satisfy the managing partner's initial passion for the work.

In the managing partner/limited partner arrangement, the vision of the founding partner is not subject to these pressures. The limited partners are swept up by that vision and put their trust in the leader's dedication and knowledge. The expectations placed upon the limited partners are also clear from the outset: they are invited to offer limited input to the overall vision, equal to their responsibilities and financial commitment.

In any initiative, the leading partner tends to have greater passion for his or her idea and seeks limited partners to provide both leverage and greater credibility to what is often a personal or institutional passion. The managing partner is more likely to be involved in day to day decision making and likely to have a more direct relationship with professionals or agencies engaged in delivering the project's goals.

The defining element of this model is that the managing partner has a *substantially* greater financial stake in the particular project or initiative. But because that partner is the champion of the idea or initiative, the imbalance of financing is less likely to cause conflict over the interpretation and implementation of the vision. The limited partners may support a project in this way because they believe in its utility but they don't feel a burning desire to be engaged in a major decision-making role, and are willing to leave that task to the managing or primary partner.

GENERAL PARTNERSHIP/ TARGETED PARTNERSHIP

The third partnership alternative is that of general partner/targeted partners. In this model, the leading individual or institution creates a series of 'sellable' project components so that the partners can select which of the components to provide capital for and take responsibility for overseeing. This model is attractive to the donor who is interested in a more hands-on approach to funding. Such a funder may want to assist in daily decision-making in a given area but may not want to assume the full burden or responsibility of a managing partner. A significant portion of the donors' financial commitment is directed primarily towards the area where they can exercise creative control and where their opinion counts, while the remaining part of their donation helps to meet the ongoing needs of the project as a whole.

THE
birthright israel
EXPERIENCE

The history of birthright israel (a program that provides the gift of first time, peer group, educational trips to Israel for Jewish young adults ages 18-26) provides a rich illustration of some of these components. Its two founders (joined later by a third) were committed to assuming all of the risk in order to give the program an expeditious and bold start. The first trip, in the winter of 1999-2000, had a price tag of $16 million and the founders were prepared to undertake this larger risk because of their passion about the idea and belief in its efficacy, despite there being many critics of the program's components, including the fact that it was a gift, that it was built on a 10-day peer experience (when previous Israel education programs had been traditionally six or more weeks), the focus on the 18-26 (rather than high school) market, and the free market approach that permitted not-for-profits and for-profits to freely compete for the participants, each one of which was responsible for choosing her/his trip organizer.

Governance and management became easier after the first trip as the partners were engaged, leading to more efficient, simpler execution. While birthright was soliciting 'general partners', in reality it was operating according to the managing partner/limited partner model. And while some *philanthropic partners were prepared to provide substantial support to the program without exercising either governance or involvement, others wished to be more involved and were disappointed in their limited role. As the government of Israel and international Jewish communities, through the Federations and Keren Hayesod, became financial partners, they also became governance partners, as did the Jewish Agency. The partnership complexity is well observed through the success of birthright israel. With more than 100,000 participants in just six years, today birthright israel has a waiting list of tens of thousands. The pressure created by these demands tends to further complicate the partnership relationships. Some partners are prepared to move more quickly to greater financial commitment than others. The continuous pressure of finding the right level of involvement and governance is complicated by the very success of the fundraising strategy. To date, there are more than twenty gifts of more than $5 million, with almost half of them at $10 million or more.*

The partnership complexity is well observed through the success of birthright israel.

The activation of The birthright israel Foundation in the United States and Canada sought to create a development arm that would provide a range of donors and supporters opportunities to work on various aspects of birthright, including policy setting, community development, and post program development; in part, in recognition of both the demographic and strategic limitations of a 'mega' donor approach. Its development must be sensitive also to the needs of the Federation partners to respect the primacy of their annual campaigns.

While the birthright example carries with it the halo of the extraordinary qualitative and quantitative success of the program, the complications of partnership taxonomy and definition are a continuing legacy of its early years.

PRINCIPLES FOR EFFECTIVE PARTNERSHIP

THERE ARE SOME commonsense principles to keep in mind when forming philanthropic partnerships. Before embarking on any partnership venture, one needs to be clear about whether the goal is truly seeking partners, or to find co-funders or, in the case of not-for-profits, subcontractors.

- For any partnership, communication is the most vital element. In those partnerships where communication is lacking, lagging commitment inevitably follows.
- Responsibilities between the partners should be clearly spelled out from the very beginning. A partner should be surprised neither by the expectations nor the limitations of their role in a project.
- Everyone involved should fully understand the role of partners in policy decisions.
- Managing partners should not table those items on which they do not wish to have partner input, and limited partners should understand that while their input is welcome their votes will be limited to those broad policy issues that will be brought to them from time to time.
- If the desire is only to leverage OPM, one has the responsibility to present the opportunity as it in fact stands, rather than as a philanthropic partnership. It is certainly an opportunity to donate to a particular project or cause, but it is not about embarking on a funding partnership.

- When inviting the participation of a not-for-profit in a project one needs to be equally clear. Are they being invited as partners who will shape the vision or are they being paid to deliver a service? Is the project an operating project of a foundation with a non-profit providing some service, or is it a chance to enhance the non-profit through a burgeoning philanthropic vision? Often, there's a need for this type of contracting out of service delivery, when there isn't an accompanying commitment to handing the project off to the non-profit sometime in the future. A well-thought out plan assists the final outcome while also ensuring all the donors that their money will be used wisely.

For any partnership, communication is the most vital element.

- There needs to be agreement going into a project regarding the parameters and length of the funding. Donor fatigue is a hazard in this type of work. Have a clear sense among the partners, when you're going into a project, about how long of a commitment each of you wants to make. If you don't plan to fund in perpetuity—or to maintain the partnership forever—have an agreed upon exit strategy. A useful exit strategy is not simply assuming that some other partners or funders will come along in the future to pick up the slack.

CONCLUSION: PARTNERSHIPS ENHANCE PHILANTHROPIC CAPACITY

IN A 2002 report for the Funders' Network for Smart Growth and Livable Communities, Ralph Hamilton, of the University of Chicago, found that clarity, communication, candor, equal voice, trust and accountability all aid positive outcomes. "Many respondents suggest that the best collaborations meet individual participants' self-interests, as well as the needs of the group as a whole," Hamilton writes.

"They say that it helps for individual funders to be honest with themselves and others about their baseline interests, and that masking significant motivations or needs often leads to frustration and conflict later. Some suggest that this is a particular danger in funder collaboration because of 'the premium philanthropy places on conflict-avoidance and idealism. No one wants to appear self-interested.' Yet participants observe that the best collaborations help program officers do their jobs better, and that if it does not do that, it is not worth their time. In order to 'win the battle of competing demands', an experienced network staffer comments, collaboration also needs to be 'the place where the best work is done.' Another important aspect of clarity has to do with the groups' awareness of individual participants' actual authority. Problems arise in some collaboratives when participants cannot deliver what they promised or when other members make incorrect assumptions about what a particular member can produce. Understanding each participant's decision-making authority and span of control includes not only his or her influence over grant-making decisions, but also the other institutional resources that a participant may call upon," concludes Hamilton.

In short, partnership enhances philanthropy. Learning from successful business models can enhance the philanthropic desire to make strategic use of funds and resources. In a rapidly changing non-profit world, partnership will become an increasingly important source of philanthropic activity. But good intentions do not necessarily make for effective outcomes and talking about partnership is far removed from the rigorous analysis and intense application required in practice. For the reality to equal or surpass the rhetoric, we need to better understand its principles, plan its execution and communicate its essential meaning.

In a rapidly changing non-profit world, partnership will become an increasingly important source of philanthropic activity.

Partnerships have a unique capacity to generate enormous social good. They hold the power to reshape the very landscape of philanthropy. The better we understand these concepts and the more closely we hew to solid principles, the more we will be able to realize their extraordinary potential.

NOTES

NOTES