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## **On the Frontlines**

### **The Dance of Deceit**

#### **A Power Imbalance Undermines the Social Sector**

By Melinda Tuan

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## The Dance of Deceit

*A power imbalance undermines the social sector*

After seven amazing years at the Roberts Enterprise Development Fund (REDF), I have left the field of philanthropy. Maybe for a short time. Maybe for a long time. I don't know yet. Much of my ambivalence has to do with the title I've chosen for this article. For the past seven years, as an active and vocal member of the philanthropic community, I have advocated for clear communication, integrity, and compassion in the way we "do" philanthropy. Yet, as I reflect on my relatively new status – which I like to call "gainfully unemployed" – I wonder, just how did I fare as a philanthropist? (Or rather, as the employee of a philanthropist, since I wasn't giving away my own money.)

I am reminded by a colleague's words of warning when I entered the philanthropic field: Too many confuse proximity to money with having money themselves. And the power and ego issues that accompany that confusion delude the gatekeepers into thinking that they are the kingmakers. Did I lose sight of my role as the guardian of my foundation trustees' charitable wealth? Did I serve the greater good without subjecting our grantees to the contortions and gyrations so common to funder/fundee relationships? Or was I an active participant in what some in the sector call "the dance of deceit?" I hope not and I don't think so, but I do think it's important that we never stop asking ourselves these questions.

The dance of deceit is an elaborate performance acted on a stage that is

the nonprofit capital market. In the first pairing, the dancers play out the relationship between foundations and nonprofits. A foundation issues a request for proposal (RFP) on the hot issue of the month – be it youth development or social enterprise or capacity building – and nonprofits clamor to transform themselves into program experts on that issue in order to get funding for their struggling organizations. Each change in foundation-giving guidelines results in contortions by the nonprofit providers to meet those guidelines.

A similar pas de deux is danced between nonprofit executive directors and their boards. A founding executive director of a well-respected 25-year-old organization, for instance, knows that his accounting system is not going to be able to manage the nonprofit's finances in light of the size of the organization and its increasingly complex work. But foundations don't like funding things like accounting upgrades, and the board has not been willing or able to raise funds in the past for mundane items such as accounting systems, especially when the "sexier" program side is chronically underfunded. So, the executive director continues to "spin" his communications to his board of directors to conceal these inadequacies, trusting that his longtime friends on the board will believe the organization's financials that he presents without asking a lot of detailed questions.

And in the foundation boardroom, a third drama is under way between the new CEO of a foundation and her board of directors. The CEO has a big

vision for doing things differently and successfully "manages the board of directors" through a drawn-out strategic planning process. During that period, the CEO implements significant programmatic changes throughout the foundation. The changes skillfully take place under the radar of the board of directors. The CEO reflects with satisfaction on her tactics: She needed to divert the board's attention. After all, the board is more interested in foundation asset growth and management than program management, and who can measure foundation effectiveness anyway?

Each dancer in his or her own way tacitly encourages their partner to participate in the dance of deceit, despite good intentions. Together, the dancers spin around and around, locked in a damaging pattern of behaviors in how they relate to one another and to their own boards. The orchestra members (communities, government, society) are trying to keep time with the dancers, but their efforts are largely



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## Power and ego issues delude philanthropic gatekeepers into thinking they are the kingmakers.

uncoordinated because there is no conductor and the stage seems to have been built in such a way to hinder everyone's performance.

There are no easy solutions to ending these dances of deceit. At the core of each of the relationships is the struggle for power. Foundations have power over nonprofits because they have the money. Nonprofits know foundations cannot achieve their mission without their work. The heads of organizations want to use and protect their power. Executives of both nonprofits and foundations are taught how to "spin" their communications and "manage their boards of directors" to limit their accountability to a governing entity. Few executives truly want the accountability that a fully engaged board of directors will provide – and demand in return.

In addition to the problem of power, there is fear. Nonprofits are afraid to speak out against poor practices in the sector out of fear that foundations will pull their funding. If a nonprofit joins a group that calls for longer funding periods, for instance, any foundation that's currently funding them for a shorter funding period will see their comment as a criticism of their foundation. They are not likely to fund that organization again. The risk of offending foundation folks and losing precious funding is too great for most nonprofits.

The culture within philanthropy is not to talk about mistakes, bad funding decisions (only bad grantees), or bad foundation practices openly. I've spoken with other foundation CEOs whose public comments are carefully scripted so as not to reflect badly on their trustees. Their funding decisions are often based upon minimizing any possible negative press and maximizing positive associations with their foundation, which reflects well on their trustees. They are certainly not

allowed to criticize other foundations, at least not on record. There's a lot of whispering about poor foundation practice, but not a lot of naming of names. It's just not done.

True solutions will need to get beyond the power and fear that currently dictate the behavior and decisions of nonprofits and foundations, from CEO to staff to board member. Nonprofits and foundations need to be more accountable to each other and to their boards of directors. As long as the sector lacks objective performance information and measures of effectiveness, power and fear will continue to fill that void and wreak havoc on relationships between nonprofits, funders, and their boards, undermining our collective charitable purposes.

There is hope. Objective performance information can repair the relationship between funders and nonprofits, and boards and staff. Supported by a consortium of foundations, including REDF, several nonprofits such as CVE Inc. and Rubicon Programs Inc. have created their own comprehensive social outcome management systems, providing real-time data on program outcomes. The accuracy and timeliness of their performance data has helped change the nature of their conversations with funders; it is no longer the nonprofit contorting its program to meet foundation-dictated outcomes, but real program outcomes informing the nonprofit and foundation about the best strategies for achieving a shared mission. Timely, accurate program outcome data have helped their boards of directors understand why a pet program must be ended and resources channeled to a more effective program within the organization. As another example, efforts to create objective and comparative measures of foundation effectiveness – like those of the Center for Effective Philan-

thropy and Grantmakers for Effective Organizations – are beginning to encourage honesty, reflection, and real change in the nonprofit and philanthropic sectors. The William and Flora Hewlett Foundation published the results of a grantee perception survey on its Web site and has encouraged others to follow suit. If these experiences were replicated on a larger scale, we could have a greater basis for open and transparent relationships.

Additionally, in order to end the dances of deceit, board members of both nonprofits and foundations need to perform to higher standards and increase their accountability. Many boards of directors should take a page from high-engagement philanthropy practitioners and more fully involve themselves in governance issues of fiscal responsibility, fundraising, and social return on investment. When I reflect on my own experience as a venture philanthropist and nonprofit board member, I know I spent far more time and energy on my venture fund portfolio. The nonprofits deserved the same level of attention and would have benefited if I and other board members had committed ourselves more deeply to a comprehensive governance role.

I am an optimist. I believe we can rewrite the score, rebuild the stage, and transform the disingenuous relationships and practices in the nonprofit sector, making them more honest and open. We need to encourage reflection and the use of data to inform our practice, and work toward more authentic, transparent relationships across the board. With dedication, coordination, and a willingness to use power for the greater good, we can all increase our effectiveness. That is my hope for our future, and who knows, maybe it will be my future as well. □