



## EDITORIAL

Dear Readers



While preparing this edition of *Philanthropie Aktuell*, we received the message that the proposal for a European Foundation Statute (EFS) was politically declined. More than ten years of work by scientists, legal experts, practitioners, and association representatives will therefore remain without success.

Why did this proposal for a simplified, transnational civil societal engagement fall through and what can we learn from this failure?

Besides the large variety of philanthropic traditions in the European countries, this result can also be seen as a consequence of the foundation sector's insufficient internal organization. During the entire political design process, the project was only supported by a small number of organizations and foundations – a broad formation of engaging foundations didn't happen. This may have been enough for the preparing committees to decline as politicians don't just decide on the basis of arguments, but also look at societal necessity. In the end, the foundation sector wasn't able to prove this necessity adequately and vehemently enough.

The learning effect for the foundation sector must therefore be to intensify the internal organization of its own members. Disappointments are inevitable, especially in politics. It is important to accept failures to then draw the right conclusions for the future. The negative decision on the European Foundation Statute can develop a positive force if the foundation sector draws the right conclusions from it.

Your Georg von Schnurbein

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## Flawless Foundations?

**There seems to be a latent tendency in philanthropy to think positive. «Doing good even better» is a common slogan. However, foundations, donors, and nonprofits are still somewhat far from a philanthropic paradise of effective funding. Even to expect such a paradise, would already be a mistake.**

**By Georg von Schnurbein**

Two of the most important funding areas of philanthropy are science and culture. In both areas, mistakes and failures are part of the regular improvement process. Even though in arts, no one is born a master and in scientific language trials, tests, and elimination processes manifest an explicit mistake culture, in philanthropy, perfection is expected as of day one.

### Not a word about failures

Hardly any examples of failed or unsuccessful philanthropy can be found in annual reports or journals. Since it's hard to grasp the success of charitable projects, each project can present somewhat positive findings. In 1992, Wolfgang Seibel's theory of «functional dilettantism» proclaimed that because nonprofits often only treat the symptoms of societal problems – they turn out to always be successful without having solved the cause for the problem. This means that they actually fail at the same time that they succeed.

### Error sources in philanthropy

Besides this problematic, which can't be solved in principle, foundations often create their own sources of error. Careful not to breach the foundation's mission, rigid guidelines and limitations are set in terms of resource allocation, reporting time frames or the like. Beneficiaries stick to these bargains in order to avoid

negative attention and receive further support in the future. Instead of stopping and adjusting a project that went wrong, formulated goals are desperately held on to, and in the end, a success is communicated. In other cases, aspired goals aren't formulated in the beginning, which is why mistakes (or successes) can't be recognized. The result being that who doesn't know the goal, can't tell if the project is on track. In the end, in case of disagreement between the foundation and the beneficiary on the project output, the project is usually quickly laid off from both sides.

### Learn from mistakes

However, mistakes provide a rich yield for improvements if they are actively integrated into the funding practice rather than being denied. The cause for a disappointment doesn't necessarily have to be associated with inability or personal failure, but can result from a lack of resources or from inaccurate processes. Without a structured error analysis, the causes won't be studied. Effective approaches for a professional handling of mistakes offer the distinction between good and bad mistakes, a conscious change of perspective and the application of emergent strategies.

### Support by integrating mistakes

Again and again, mistakes happen due to inability, overconfidence, or false expect-

tations. On the one hand, such mistakes must be avoided, precisely because of limited philanthropic resources. On the other hand, there are also useful mistakes. After all, many foundations support new initiatives or innovative projects. While doing so, risks must be taken, possibly leading to negative or unforeseeable effects and consequences. A foundation wanting to encourage innovation should therefore integrate mistakes into its funding activities. For example, «fields of practice» or free spaces could be created for projects that have potential but are hard to judge at the time.

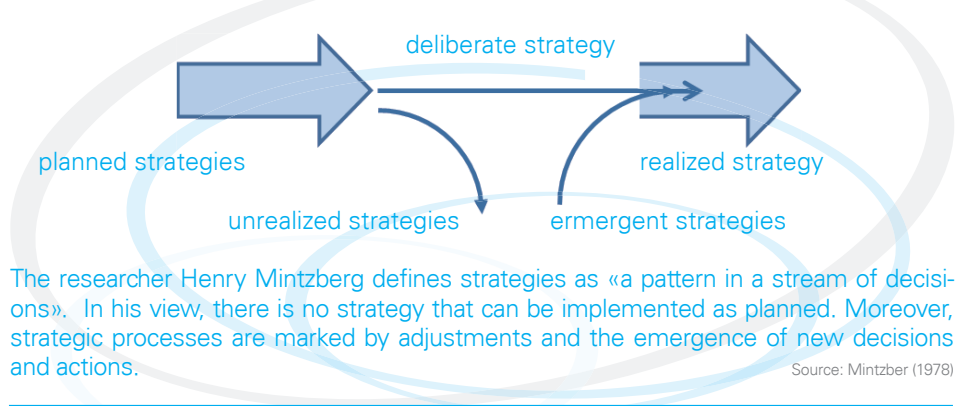
**Mountain or Mole Hill?**

In the technical field, many great inventions originated from failures. Some materials were constructed for something completely different but failed in their original purposes – such as the Post-it, an initially developed superglue or Play-doh, originally developed to clean wallpaper. Similarly, in philanthropy, rather than judging projects principally as wrong or right, they should bring new findings for other projects through mistakes. Seen from the perspective of a beneficiary or an external expert, the failed project might thus be perceived in an entirely different way. Another option would be to look at the bigger picture and analyze the interdependencies to other projects. Through a change of perspective, the actual mistake might even lead to an entirely different meaning, which could be yielding a return.

**Emergent Strategies**

Emergent strategies, described by Henry Mintzberg, are an important approach to the effective handling of undesirable developments. Mintzberg observed that in companies early formulated strategies are rarely implemented in the end. Parts of the strategy remain, other parts are lost while new aspects are added in the process. Success therefore lies less in the original strategy, but in the ability to integrate new emergent strategies into the process. Emergent strategies can arise by coincidence or through conscious changes of those involved. In practice, new projects therefore need free space, on the one hand, to be able to adapt during the course of the project. On the other hand, projects need ex ante defined mile stones to provide opportunities for conscious change.

**Fact Box: Emergent strategies**



The researcher Henry Mintzberg defines strategies as «a pattern in a stream of decisions». In his view, there is no strategy that can be implemented as planned. Moreover, strategic processes are marked by adjustments and the emergence of new decisions and actions.

Source: Mintzber (1978)

**Two steps ahead**

Paul Breast of the Hewlett Foundation approaches mistakes in the boldest manner. He initiated the «Worst Grant Award» for the worst project of the foundation. The winner receives a dinner. The award was established to encourage the communication of mistakes in the foundation. Ultimately, foundations can now advance in two areas by celebrating mistakes and developing a learning culture that questi-

ons the own foundation's actions and impacts and provides valuable insights for future funding activities.

Georg von Schnurbein

Literature:

- Bischoff, A. et al. (2013): Aus Fehlern lernen – Potenziale für die Stiftungsarbeit, Berlin;
- Mintzberg, H. (1978): Patterns in Strategy Formation, Management Science, Vol. 24, pp. 934-48;
- Seibel, W. (1992): Funktionaler Dilettantismus, Baden-Baden.

**First Bachelor Theses at CEPS**

**After its official appointment as an institute, the CEPS is expanding its existing courses on offer. In addition to a new lecture in «Nonprofit Management» (starting in the upcoming spring semester) this semester's new seminar offered students the possibility to write their bachelor's thesis at the CEPS.**

Students of the economics faculty were given the chance to write a bachelor's thesis in «Nonprofit-Organizations and Management» within a timeframe of three months. The seminar evolved around four core topics: Philanthropy and sponsoring for cultural activities and institutions, impact investing, philanthropy and taxes, and corporate philanthropy. Although the seminar was announced at very short notice, a total of nine students enrolled in the course. The completed theses were presented mid-November, where the participants discussed their results and insights together with their fellow students.

practical relevance and benefit. Thereafter, certain students will receive the opportunity to publish their findings through different media in order to reach a broader public. Among the first theses, a study on the public perception of local museums in relation to their dominant source of financing was particularly interesting, as well as another thesis on the functionality and application of so-called «social impact bonds». The city of Bern just recently invited tenders for this pay-for-success financial instrument – for the first time ever in Switzerland.

Goal of this new seminar is not only to allow students to acquire expertise in the field of nonprofit management, but also to strengthen their scientific research and writing skills. After their completion, the theses are evaluated in terms of their

The next bachelor's seminar will take place in autumn 2015. Until then, students on the bachelor level will have the chance to gain more knowledge about nonprofit management in the CEPS's new lecture in the upcoming spring semester.

Tizian Fritz

## Laughing about and learning from mistakes

Talking about mistakes is difficult. Foundations are no exception. Their annual reports only show successful projects, but especially when foundations encourage innovative ventures, problems are hard to avoid. The CEPS speaks to Beate Eckhardt, CEO of SwissFoundations about error culture in the Swiss Foundation Sector.

**CEPS:** What are the greatest challenges in good foundational activity?

**B.E.:** It is important to bring in line the feasible with the desirable and the necessary. Foundations have the unique potential to take on risks. They can support projects and initiatives that range far from mainstream. This should be valued and taken advantage of. Yet, not every foundation is in the position to take on such high risks. Maybe the foundation is active in a certain subject-matter that doesn't primarily ask for innovations, but rather demands a continuation of experienced projects. Or the structural, personal, and financial resources are missing. The biggest challenge in my view is to constantly strategically adapt to the changing external relations and position the foundation in a societally relevant niche, where it can unfold the greatest possible impact in accordance with the available resources.

### Beate Eckhardt



In 2005 Beate Eckhardt became CEO of SwissFoundations, the umbrella organization of grant making foundations. Before she worked as communication specialist and project manager in the areas of education, culture and architecture.

**CEPS:** What are the most common error sources in the governance and funding activities of foundations?

**B.E.:** Due to missing external pressure, foundations tend to be somewhat lethargic. This is where I see one of the biggest challenges. Foundations hardly ever address the opportunity costs of their work. For every project they support, there is a project that is not supported. The foundation board must devote itself to strategic questions and its own way of working again and again. How are we positioned? Do we know what we want to reach or change with our work? Do we have a strategy in all of the important aspects of our foundational activity? I have a feeling that these questions are still kept on the sidelines for many foundations. The usual and the familiar are maintained, an entrepreneurial leader-

ship culture is missing – and this is not a question of the size of a foundation. I know small, locally active foundations, which unfold great impact with the help of a smart strategy.

**CEPS:** Is there a culture in the Swiss Foundation Sector to speak about failed projects?

**B.E.:** Who likes to speak about failures...? Foundations are no different to you or me. The situation is complicated by the fact that there is little exchange or cooperation in the Swiss Foundation Sector. Only 3% of all charitable foundations in Switzerland are organized or in regular contact with other foundations. At best an own internal error culture arises, but not one of mutual learning and exchange. This is a shame. We should finally take to heart what we teach our children: «You learn the most from your mistakes». Or as Winston Churchill said: «All men make mistakes, but only wise men learn from their mistakes».

**CEPS:** Could foundations get a legitimacy problem in the eyes of the public if they speak about unachieved goals?

**B.E.:** No, I don't think so. Precisely because foundations can and should take on specific risks, the quota of failure can be high. Foundations should be able to argue about the reasons why a goal wasn't reached. This brings us back to the advised strategic orientation of the foundation. If foundations were to be too risk-averse, fearing failure, they would lose their special position and ability in the state – economy – civil society triangle. But the question aims at the broader public. Whether or not the communication obligation of foundations really reaches so far that they have to make their unsuccessful projects and goals accessible to the public is a tricky issue, and hard to judge in general. In the end, communication, also of foundations, should always serve a purpose. Pure curiosity doesn't need to be satisfied by anyone, not even by foundations.

**CEPS:** What could an honest exchange about «failed projects» look like?

**B.E.:** I think such an exchange should, at least at the beginning, take place in an

area of trust. Few foundations would be willing to speak of their failures for example in the frame of a public symposium. This is understandable and comprehensible. At SwissFoundations, we have been thinking of different possibilities to encourage an open error culture. Why shouldn't we combine mistakes with humor and ease? Let us organize a «mistake party» to award a yellow lemon to the greatest failed project of the last year. All foundations that submit and present a failed project are invited to come together.

**CEPS:** Thank you very much!

## CEPS INSIGHT

### CEPS Publications

A new publication was released in the Working Paper Series: «Foundations and social innovations – expert judgement» in German, by Steffen Bethmann. In the International Journal of Not-for-Profit Law Volume 16, Issue 1, 2014, the contribution «The Swiss Legal Framework on Foundations and its Principles about Transparency» by Lucas R. Arrivillaga and Georg von Schnurbein was published.

### New Team Member

As of November 1st, 2014, Dr. Oto Potluka strengthens the CEPS team as a senior researcher. The native Czech obtained his PhD in Political Science at the Karls University in Prague. His research at the CEPS will primarily focus on the political activities of nonprofits.

### The CEPS is moving

As of the end of January, the CEPS will be moving to a new building in the city center. The new address is: Totengässlein 3, 4051 Basel.

## NEWS

### First Social Impact Bond (SIB) launched in Switzerland

The social office of the canton Bern together with a group of entrepreneurs has set up a SIB. The goal is to increase the quota of refugees having access and remaining in the first employment market.

## Swiss think tank looks at foundation sector

The Swiss think tank Avenir Suisse launched a discussion paper on the Swiss Foundation Sector. The main objective of the study is to provide innovative impulses for modern patronage.



All in all, the Swiss Foundation Sector is in good shape. This fact forms the basis of a discussion paper launched by Avenir Suisse. Nevertheless, Daniel Müller-Jentsch, author of the study, sees important points for action regarding reforms that would lead to an improvement of the frame conditions as well as the visibility of foundations in Switzerland. In particular, Müller-Jentsch demands regulative measures to guarantee good foundation management by law, the opportunity to force mergers between small, inactive foundations, expanded possibilities for new foundations and donations to deduct taxes, a quota for minimal distribution, and the acquisition of detailed data on the foundation sector by the Federal Statistical Office. Furthermore, he encourages the increased establishment of foundations under public law and emphasizes the importance of a revision of the supervising structures.

Generally spoken, the fact that the liberal think tank deals with the Swiss Foundation Sector is more than welcome. As a result, the sector receives

more awareness by society. This is a goal that both umbrella organizations, SwissFoundations and proFonds, share. However, they both comment on the study in a critical manner. They especially think that further legal restrictions aren't necessary. The sector relies on self-regulation and self-responsibility, which are the exact expression of a liberal social order. Furthermore, the organizations share the view that the sector's informational basis is unsatisfactory and calls for action. Especially regarding research, the further provision of information on the sector is desirable.

Steffen Bethmann

### Did you know?

**1'700'000'000**

The total amount of donations in Switzerland is estimated to be as high as 1.7 bn Swiss Francs (1.76 bnUSD). Two thirds are given to organizations that are certified with the ZEWO seal of quality for charitable institutions.

Source: www.zewo.ch

## Call for papers

**Interdisciplinary Research on Philanthropy: Connecting the Dots.**

The Research Network on Philanthropy (ERNOP) invites researchers and practitioners to its 7th International Research Conference. The conference takes place from 9-10 July 2015 at ESSEC Business School, Paris, France.

Philanthropy research in Europe is carried out by scholars from a wide variety of disciplines. Also, philanthropy researchers are dispersed among countries, places, universities, faculties and research centers. Hosted by ESS-EC Business School in Paris, the conference will gather scholars from various disciplines sharing a motivation to generate new knowledge about philanthropy by connecting the dots between. Participants are especially encouraged to send in proposals that address cutting through disciplinary and country related issues. Not only will the conference serve as a platform to discuss current research developments and to foster new insights about philanthropy, it also emphasizes the need for rigor and relevance in philanthropy research.

The full Call for Papers can be downloaded here:

[www.ernop.eu/ernop-conference-2015/](http://www.ernop.eu/ernop-conference-2015/)

## CALENDER

### CEPS ADVANCED STUDIES

Enroll now! (Courses in German)

#### Day Seminar: Good grant applications

3 February 2015, Kultur, WWZ Basel  
10 February 2015, Soziales, WWZ, Basel

#### Intensive Course Foundation Management

2 - 6 March 2015, Sigriswil

#### CAS Governance & Leadership

Modul 1: 13 - 16 April 2015, Sigriswil  
Modul 2: 4 - 6 May 2015, Basel  
Modul 3: 1 - 4 June 2015, Basel

#### CAS Global Social Entrepreneurship (in English!)

Modul 1: 20 - 23 April 2015, Basel  
Modul 2: 03 June 2015, Online  
Modul 3: 06 - 08 July 2015, Basel  
Modul 4: 05 - 13 September 2015, Mongolia  
Modul 5: 05 - 06 November 2015, Basel

### COMING UP

#### European Economic and Social Committee

#### Civil Society in Research and Innovation

28 January 2015, Brussels

#### Academic Research Network Oxford

#### Social and Sustainable Finance Conference,

23 - 24 April 2015, Said, Oxford  
University, UK

#### European Research Network on Philanthropy (ENROP)

#### Research Conference: Connecting the dots

9 - 10 July, 2015, ESSEC Business  
School, Paris, France.

## LEGAL NOTICE

### PUBLISHER



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### LAYOUT & PICTURES

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