

## **Building on MBA know-how**

*Sarah Murray*

The foundation sector in the US is a vast industry of more than 75,000 organisations, with billions of dollars in assets and grant-making abilities, which in 2008 reached almost \$46bn. As these foundations look to become more accountable and effective in allocating their grants, some are increasing their hiring of business school graduates and sending staff on MBA or executive programmes.

“There has been a cultural change from the notion that business is evil to a growing recognition that business has tools to solve problems that others don’t,” says Mark Kramer, managing director of FSG Social Impact Advisors, which advises foundations, corporations, governments and non-profit organisations.

One indication of this is the appointment of former business executives to prominent roles within the foundation sector, many of whom have MBAs. The Ford Foundation is now headed by Luis Ubiñas, a former director at McKinsey who has an MBA from Harvard Business School. At the Robert Wood Johnson Foundation, Risa Lavizzo-Mourey, its president and chief executive, has an MBA from the University of Pennsylvania’s Wharton School.

The MBA has also become more compelling to those working at lower levels in foundations. Foundations need staff with financial expertise to manage their endowments. The rise of mission investing – investments that give foundations social as well as monetary returns – means institutions need employees equipped with financial as well as programme expertise. Foundations also need to be able to assess the effectiveness of the non-profits they are funding to run their own operations efficiently and to raise money so that they can continue or increase their grant-giving.

Much of the appetite among foundations for business education has also been driven by a shift in how foundations operate, at least in the more forward-thinking organisations. Once largely driven by an academic model, some institutions are moving to an approach shaped by the idea that social or environmental problems require the combined focus of different sectors – including business.

“Training students to understand how the private sector works, but also how to use networks and business skills, is going to be very appropriate for a foundation,” says Antony Bugg-Levine, managing director at the Rockefeller Foundation.

Foundations are also becoming more involved in the management of the organisations to which they give grants, helping them stretch their philanthropic dollars further.

“Historically, foundations have tended to focus on the specific intervention they were funding and ignore the organisational capacity of whatever entity was implementing the programme,” says Mr Kramer.

He identifies a new wave of foundations that are instead focusing on promoting change through advocacy and helping non-profits become more effective. “All these things require organisational and management skills, budgets, business plans,” he says. “And that is a very different way of thinking from that old approach, which said you just needed the idea and everything would fall in place.”

This kind of thinking is most prevalent among foundations based on the US west coast, where venture philanthropy flourishes and many foundations have been established with money made by former venture capitalists or dotcom millionaires. But even some of the older institutions in the US have adopted more collaborative strategies. In the process, partnerships

with the corporate sector are becoming more common – requiring foundation executives to speak the language of business.

“Understanding the corporate mission and what’s driving them could be very important to a conversation a foundation might want to have with a business,” says Marsha Warren, associate director of the MIT Sloan Fellows Program in Innovation and Global Leadership.

What makes an MBA programme even more relevant to foundation executives is that some organisations, such as the Rockefeller Foundation, are moving away from the centralised, academic model that relied on individuals with narrow expertise.

More recently, says Mr Bugg-Levine – who teaches a course at Columbia Business School called Business Innovations in International Development – the focus has been on bringing in generalists whose expertise lies in identifying problems and mustering appropriate coalitions to solve them.

“And at its best, a good business training is about how to address problems by mobilising teams to solve them in a way that’s focused on action versus research,” he says.

Foundations are not the only ones changing. In many schools, the MBA now offers a greater choice of electives in areas such as non-profit management and social entrepreneurship, making the training more attractive for foundation executives. Departments and centres for public and non-profit management exist at schools such as Haas School of Business at the University of California Berkeley, Northwestern University’s Kellogg School of Management and Yale School of Management.

Meanwhile, the research and educational programmes of centres such as the Kenan Institute at Kenan-Flagler Business School focus on how private sector resources can serve the public interest. And Stanford Graduate Business School runs a course on strategic philanthropy through its Center for Social Innovation.

Often it is the combination of courses, such as marketing and finance with the newer content on philanthropic issues, that appeals to foundation professionals.

“In part they are here for those basic skills that are very much business school core,” says Nora Silver, director of the Center for Non-profit and Public Leadership at Haas. “But they are also here for some of the more sector-specific questions.”

Mr Kramer believes that in the future, more foundations will see the relevance of the MBA to their work. “The idea that everyone needs a business plan is something that has taken the non-profit sector by storm.”

### **Increasing links**

Creating joint fellowship programmes might be one way to increase the links between business schools and the foundation sector, writes Sarah Murray.

This is the hope of University of California’s Haas School of Business, which has formed a partnership with the Packard Foundation, a private family foundation that was created in 1964 by the late David Packard, co-founder of Hewlett-Packard, and his wife, Lucile Salter Packard.

The foundation and the Haas school – through its Center for Non-profit and Public Leadership – have created a fellowship for an MBA graduate who will be able to participate in courses and development programmes at both Haas and the Packard Foundation.

Under the fellowship, which is being funded by the foundation, individuals who are placed at the Packard Foundation will become employees of the university. The individuals selected will spend 12 months at the foundation and three months working in one of the non-profits that are funded by the foundation.

"I wanted to make sure they had a broader view than that of just that particular foundation," says Nora Silver, director of the leadership centre. "It's trying giving a more complete experience to an MBA."

However, Prof Silver hopes the fellowship programme will expose professionals from the foundation world to the benefits of business education.

"From the foundation's perspective, they want more diversity in the foundation world – and not just ethnic or gender diversity but diversity of thinking and skills," she says.

"My hope is that this will also enlighten the foundation as to what the MBA has to offer."

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