FOUNDATION GOVERNANCE, LEADERSHIP AND STRATEGY

An Annotated Bibliography

December 2012

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The Center on Philanthropy and Public Policy promotes more effective philanthropy and strengthens the nonprofit sector through research that informs philanthropic decision making and public policy to advance public problem solving. Using California and the West as a laboratory, the Center conducts research on philanthropy, volunteerism, and the role of the nonprofit sector in America's communities.

In order to make the research a catalyst for understanding and action, the Center encourages communication among the philanthropic, nonprofit, and policy communities. This is accomplished through a series of convenings and conversations around research findings and policy issues to help key decision makers work together more effectively to solve public problems and to identify strategies for action.

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PREFACE

For the past ten years, The Center on Philanthropy and Public Policy has worked with the leaders of twelve prominent Los Angeles foundations to provide a venue for a discussion of critical issues in philanthropic leadership, stewardship, and accountability. In the process, we have identified a number of resources – reports, studies, news articles, and opinion pieces – that provide information, analysis, and recommendations for action. This annotated bibliography includes the most relevant materials in order to share them with the foundation community. We hope that you find them useful as you reflect on the challenges of philanthropic leadership and stewardship.

James M. Ferris, Ph.D
Director
The Center on Philanthropy and Public Policy

November 2012

FOUNDATION GOVERNANCE AND LEADERSHIP

General

Foundation Governance: The CEO Viewpoint
The Center for Effective Philanthropy, January 2004

"Generations of Giving: Leadership and Continuity in Family Philanthropy"
National Center for Family Philanthropy, *Passages,* February 2003

"Using Discretion"
Lee Draper
Foundation News and Commentary, January/February 2004

"Leading Boldly: Foundations can move past traditional approaches to create social change through imaginative – and even controversial – leadership"
Ronald A. Heifetz, John V. Kania, and Mark R. Kramer
Stanford Social Innovation Review, Winter 2004

Governance as Leadership (Chapter 1 - First Principles)
Richard P. Chait, William P. Ryan, and Barbara E. Taylor
BoardSource, 2005

The Challenges of Foundation Management – Edited Transcript
Hudson Institute's Bradly Center for Philanthropy and Civic Renewal, February 28, 2008

Foundation Governance: The CEO Viewpoint
The Center for Effective Philanthropy, January 2004

This report summarizes the responses of 129 CEOs of the nation's largest 250 foundations to a questionnaire on a wide range of issues about foundation boards and governance. This survey is part of a larger effort that will include surveys of board members and foundation experts and stakeholders.

Among the interesting findings are:

1. Recent corporate governance reforms such as Sarbanes-Oxley have led to board discussions among approximately three-fourths of the foundations, with a third instituting changes. Among the changes that have been instituted are:
    - Introduction of an audit committee or change to existing committee structure.
    - Requiring board review or CEO and/or CFO sign-off on 990-PFs.
    - Adopting new policies focused on conflict of interest.

2. Factors that relate to the CEO's view of his/her board's effectiveness are:
    - Board involvement in assessments of foundation performance.
    - Board surfacing of issues of concern to the CEO.
    - Board level discussions of recent media and policymaker scrutiny of foundation governance.
    - A lower proportion of family members on the board.
    - Board representation of the foundation in public venues.

3. The level and intensity of board engagement is an important factor in differentiating among boards that are most and least effective, as viewed by the CEO.

4. Approximately half of the foundations compensate some or all of their board members. The median average compensation of those which do compensate is $22,000 per year.

The report offers an interesting conclusion to its findings, underscoring the disconnect between Sarbanes-Oxley type reforms and foundation board effectiveness as perceived by the foundation's CEO:

> "Many foundations have adopted changes in governance in response to recent external scrutiny of corporate boards and foundation practices. These changes tend to increase the transparency and accountability in financial reporting and decision making, but they do not necessarily influence the factors identified by CEOs as the most important to board effectiveness."

The full text can be accessed via the following link:
http://www.effectivephilanthropy.org/images/pdfs/governanceceoview.pdf

"Generations of Giving: Leadership and Continuity in Family Philanthropy"
National Center for Family Philanthropy
***Passages*, February 2003**

This study examines the generational dynamics of family foundations in 30 family foundations. Among the issues that are discussed are transitions in the governance of the foundations as they move from founding donor to the second generation and then the third.

With respect to organizational structure, there is an indication that governance structures do not keep pace with growing endowments or families. While many of the 30 foundations in the study have gone through the first round of formalization at the death or withdrawal of the founder, they have not yet completed the transition so as to facilitate more complex grantmaking, make the best use of professional staff and advisors, and deal with larger pools of potential trustees.

Moreover, the foundations are not inclined to invest in upgrading foundation governance and organizational infrastructure. The focus remains on programs. Issues of governance are often perfunctory, and even when there are written by-laws and policies, they are often ignored.

The full text can be accessed via the following link (subscription required):
http://www.ncfp.org/publications-passages-excerpt-GOG.pdf

"Using Discretion"
Lee Draper
***Foundation News and Commentary*, January/February 2004**

This article reports on the practice of foundation board members having the ability to make "discretionary" grants. Only about 25 percent of foundations (from the COF survey) use discretionary grants, and of those about half limit them to the board chair. The use of such grants is most common among family foundations.

Discretionary grants may be a vehicle for:

- Engaging new board members, especially the new generation of board members in family foundations. This is particularly the case if they are required to perform "due diligence" in the grantmaking process.
- Connecting geographically dispersed board members. In the case of family foundations, as trustees move away from the home, it is possible to keep them engaged by allowing them to make grants in their new communities.
- Leveling the playing field. As disparities arise in the individual giving capacity of family members, those with less capacity can use discretionary grants to maintain presence in the local community.
- Recognizing volunteer service. Discretionary grants may be used in lieu of compensation for board service. This argument is not necessarily tied to family foundations.
- Exploring new ideas.

The downside of discretionary grants include:

- Avoids forcing the board to make joint decisions in instances where a significant amount of grantmaking is done through discretionary grants.
- Decreases accountability and impact.
- Creates confusion to grantees to the extent that grants depart from guidelines.
- Deters personal giving.
- Blurs legal and ethical lines.

The author encourages those without such grants to maintain it, and those with such grants to adopt practices that will minimize the downside, such as maintaining consistency with mission, values, and goals, using guidelines, and requiring matching grants. In addition, where they serve an engaging/learning function for new trustees, they should be phased out over time.

The full text can be accessed via the following link:
http://www.foundationnews.org/CME/article.cfm?ID=2750

"Leading Boldly: Foundations can move past traditional approaches to create social change through imaginative – and even controversial – leadership"
Ronald A. Heifetz, John V. Kania, and Mark R. Kramer
***Stanford Social Innovation Review*, Winter 2004**

In this article, Heifetz, Kania and Kramer discuss the concept of "adaptive leadership". The authors view adaptive leadership as a more subtle and dynamic view of social change in which people and institutions that lead are not expected to know the answer and bear the full responsibility for problem solving. Instead the role of the leader can be to create and sustain conditions through which stakeholders can tackle problems and develop solutions.

The article highlights an example of this leadership strategy by discussing the July 2002 decision made by the Heinz Endowments, the Grable Foundation, and the Pittsburgh Foundation to withdraw funding from Pittsburgh's dysfunctional school system. This decision prompted the Mayor to appoint a commission to review the city's school system which issued a scathing report and recommended several dramatic reforms. The foundations resumed funding the district once these reforms were implemented. The authors argue that this case is not an example of foundations using coercive action, but instead an example of how foundations working in unison can take an active, visible, and controversial role in bringing about social change. Because foundations have access to the media and powerful political players and are often insulated from both political and market forces, they have the ability to confront social issues and take unpopular positions. The authors recognize the tension foundations face between leading and imposing their agenda on others.

The authors then compare foundation strategies for solving technical problems versus adaptive problems. They argue that technical problems such as increasing access to higher education or servicing more sick patients are well defined and the solution to the problem is known (fund scholarships, build more hospitals, etc.). Adaptive problems, on the other hand, are highly complex and the "solutions" are not known. Adaptive problems such as reforming public education also involve multiple stakeholders. It is these stakeholders who must define and implement the solutions because solving adaptive problems requires a change in values, beliefs, or behaviors of the stakeholders. The authors argue that foundations tend to try to solve adaptive problems with technical tools, thus making their efforts highly ineffective. This is why adaptive leadership is important to spur stakeholder involvement in finding solutions. Some of the techniques described in the article include focusing attention on one issue; generating and maintaining productive distress; framing the issues; and mediating conflict among stakeholders.

The full text can be accessed via the following link:
http://www.pointsoflight.org/downloads/pdf/about/support/LeadingBoldly.pdf

Governance as Leadership: Reframing the Work of the Nonprofit Board
Richard P. Chait, William P. Ryan, and Barbara E. Taylor
BoardSource, 2005

This book argues that board members should not merely exercise governance; they must show leadership. In order to do so, they need to employ three modes of governance, paying special attention to the generative mode, which will increase the value of the board, make the board's work more meaningful, and allow the organization to fully benefit from the board's expertise.

The three modes of governance that the authors examine are:

- ***Type I, the fiduciary mode***, where boards are concerned primarily with the stewardship of tangible assets.
- ***Type II , the strategic mode***, which concerns the strategic work that enables boards and management to set the organization's priorities.
- ***Type III, the generative mode***, where boards provide a less recognized but critical source of leadership.

As Type III is the least understood and utilized mode of governance, the book spends the most time defining generative governance and why it is important. Generative governance involves framing problems, as opposed to using old definitions of problems and the usual methods for solving the problems.

Before an organization develops a strategy or solves a problem, it must generate another cognitive product: sense of meaning. This sense of meaning is not the same as knowledge, information, or data. Rather, generative thinking produces a sense of what knowledge, information, and data mean. For example, in order to come up with the concept of community policing, theorists needed to look at what broken windows, as data points, meant. At first, broken windows in a neighborhood were seen as *symptoms* of a crime-ridden neighborhood. Community policing, however, looks at broken windows as *causes* of crime (i.e., when windows are left broken or when graffiti is not covered, neighborhoods are seen as more hospitable to crime). In this example, the problem (crime) stayed the same, and the data (number of broken windows) stayed the same, but what the data *meant* changed, and this created the paradigm shift.

This book argues that most often, board members only learn of problems after they have been framed by management, and board members are merely asked to approve solutions presented by management. However, if board members were asked to look at a problem earlier, there would be more opportunity to exercise generative thinking. But since most board members are comfortable in primarily an oversight position, it is rare for them to become involved in framing problems.

Generative governing is not comfortable. It requires board members to wade into areas that are uncertain, and to discuss goals that are ambiguous. But, the authors assert that this is the territory where new ideas and revolutionary plans take shape.

The book may be ordered via the following link:
http://www.boardsource.org/Bookstore.asp?Item=161

***The Challenges of Foundation Management* - Edited Transcript**
Hudson Institute's Bradley Center for Philanthropy and Civic Renewal, February 28, 2008

On February 28, 2008 the Hudson Institute hosted a discussion about the core challenges of foundation management. William Schambra moderated a panel that included: Joel Orosz, Grand Valley State University; Peter Frumkin, University of Texas at Austin; and Phil Buchanan, Center for Effective Philanthropy.

To begin, Orosz remarks on his recent book, *Effective Foundation Management: 14 Challenges of Philanthropic Leadership – And How to Outfox Them*. He points out that despite the physical growth in the number of foundations over the past century there has been little qualitative growth in foundation management. Orosz suggests foundation leadership does not, in general, take philanthropy seriously. As a result, many challenges are dealt with on a recurring basis without gaining the benefit of best practices along the way. Orosz identifies three underlying factors that cause difficulty in managing foundations, (1) donors pick leaders who they can trust; though they tend to know very little about foundations and philanthropy; (2) where donors are absent, boards tend to either avoid risk or are motivated by prestige, both of which take priority over grantmaking impact; and (3) most CEOs come to their posts without much practical experience in philanthropy. Orosz maintains that the "angle of education" is the best way to identify and teach best practices that address the underlying factors and improve performance in the field.

Phil Buchanan responds to Orosz's comments by suggesting that the cause of many of the underlying problems outlined in Orosz's book are due to the lack of data available to foundations. First, there is no common unit of measurement for impact so it is difficult to aggregate results across various programs. Second, it is difficult to identify a clear causal connection between program funding and program outcome in order to calculate a return on investment. Buchanan disagrees with Orosz's argument for the importance of execution to the exclusion of strategy. Buchanan argues that strategy is essential, but foundations lack the discipline to stay focused. As a consequence, there are smaller grants with less impact.

Peter Frumkin contends that Orosz is rushing to organize the field of philanthropy before it is ready. He argues that the field is too new to presume that we know what practices work best. In response to Orosz's assertion that the field is closed off from external discipline and a lack of reliable feedback, Frumkin argues that we should allow philanthropy more space to flourish and grow, especially if risk aversion is a concern. Frumkin also disagrees with the need for cohesion in the field by arguing that breakthroughs of innovation often arrive through conflict. He ends his comments by arguing that the foundation should not be assumed the only philanthropic entity and perhaps philanthropy should be more individually driven.

Orosz responds by reminding Frumkin that the best practices he seeks are simply guidelines and not a call for controlling knowledge and creating barriers to entry as in a profession. While Orosz agrees with Frumkin's point about individual philanthropy, he contends that large foundations exist and managing them efficiently and effectively is important. He also acknowledges that he may have overstated the argument against strategy, but he wanted to highlight the double-standard that exists when CEOs use strategy as a justification to fund new and exciting projects, and not to fund other less exciting projects.

The full text can be accessed via the following link:
http://www.hudson.org/files/pdf_upload/Transcript_2008_02_28.pdf

Board Compensation

Determining Reasonable Compensation for Foundation Directors and Trustees
Council on Foundations, December 6, 2002

"Going Overboard"
Abraham Nachbaur
Stanford Social Innovation Review, Winter 2003

"Board Debate: Voluntary or Compensated Boards?"
Ellen Bryson and Andrew Schulz
Foundation News and Commentary, September/October 2003

Determining Reasonable Compensation for Foundation Directors and Trustees
Council on Foundations, December 6, 2002

This paper provides some guidelines for foundations to follow in determining what compensation is reasonable for trustees. In particular, there is considerable attention paid to the functions, skills and time required of board members and what similar foundations (type and size) pay their trustees. It notes the inappropriateness of fees based on a percentage of assets. In the case of professional services rendered, it is recommended that such service be obtained from outside the board (third party).

The full text can be accessed via the following link:
http://www.cof.org/files/Documents/Governing_Boards/trusteecomp2003.pdf

"Going Overboard"
Abraham Nachbaur
***Stanford Social Innovation Review*, Winter 2003**

This one page summary captures the report of Pablo Eisenberg and his colleagues on trustee fees, based on their review of the largest 178 foundations and 62 smaller foundations and their viewpoint that such fees are inappropriate. Note: these numbers on the percentage of foundations reporting trustee compensation is substantially higher than similar data from either the COF or the Association of Small Foundations.

The summary can be accessed via the following link:
http://www.ssireview.org/articles/entry/going_overboard/

The full report, *Foundation Trustee Fees: Use and Abuse*, can be accessed at:
http://www.ombwatch.org/npa/final_trustee_pdf.pdf

"Board Debate: Voluntary or Compensated Boards?"
Ellen Bryson and Andrew Schulz
***Foundation News and Commentary*, September/October 2003**

This article examines the issue of trustee compensation for board service in terms of legality, the patterns of practice, and the pros and cons of compensating board members.

Legality
Under federal law, it is legal to compensate trustees of private foundations for service as long as it is "reasonable" under the safe-dealing rules, and for community foundations under the intermediate sanctions rules. Reasonable is determined by comparing what similarly situated persons are paid for similar work, regardless of sector.

Patterns of Practice
Although legal, only about 25 percent of foundations compensate some or all of their trustees. (The numbers are roughly the same for the COF survey and the Association of Small Foundations member survey.) Fees tend to be most prevalent in private, independent foundations and rare in community foundations. Family foundations fall in the middle range with trustees in the larger foundations being compensated; compensated trustees also often provide staff and management functions given their governance and administrative structure.

Pros and Cons
The arguments in favor of compensation include the ability to attract top quality board members, in particular those with expertise of relevance to the governance of the foundations, and to overcome the risks, both personally and professionally, inherent in service. In addition, compensation might help to attract a more diverse board. The arguments against compensation include the reduction of resources for charitable purposes, comparable practices with nonprofit boards, and helping to ensure public trust.

The full text can be accessed via the following link:
http://foundationnews.org/CME/article.cfm?ID=2620

Board Effectiveness

"Problem Boards or Board Problem?"
William P. Ryan, Richard P. Chait, and Barbara E. Taylor
The Nonprofit Quarterly, Summer 2003

"Time to Stop Excusing the Inexcusable: Foundation Trustees Who Play By Their Own Rules"
Rick Cohen
The Nonprofit Quarterly, Winter 2003

"Effective Foundation Boards: The Importance of Roles"
Christine W. Letts
Unpublished Paper, October 2005

Beyond Compliance: The Trustee Viewpoint on Effective Foundation Governance
Phil Buchanan, Ellie Buteau, Sarah Di Troia, and Romero Hayman
The Center for Effective Philanthropy, 2005

"Great Boards Make a Real Difference"
Deborah S. Hechinger
Trusts and Estates, October 2005

"The New Work of the Nonprofit Board"
Barbara E. Taylor, Richard P. Chait, and Thomas P. Holland
Harvard Business Review, September-October, 1996

Six Traits of Effective Board Members: Remarks by Susan V. Berresford
Board Source Leadership Forum, October 12, 2007

Ten Essential Responsibilities of Foundation Board Chairs
Board Source and the Council of Michigan Foundations, 2008

"Problem Boards or Board Problem?"
William Ryan, Richard Chait, and Barbara Taylor
***The Nonprofit Quarterly*, Summer 2003**

In this article, the authors argue that the challenges confronting nonprofit boards are not issues of performance as much as they are issues of purpose.

The three most prevalent board problems are:

1. Dysfunctional group dynamics.
2. Disengaged boards.
3. Lack of clarity about board roles and responsibilities.

The lack of clarity about board rules and responsibilities suggests that if we educate, we can "train" our way out of the problem. But, the authors argue, the biggest challenge for boards is to have a purpose.

- **The most essential work can be the least meaningful – the substitute teacher**: Legal accountability (duty of loyalty and care) is not very compelling. Trustees are tasked to prevent trouble rather than to promote success.

- **Important work may be institutional (collective) rather than individual the institutional monarchy**: Boards provide legitimacy, an opportunity for managers to make sense of activities, vigilance by managers, legal accountability.

- **Important work for the board is episodic – the firefighters down time**: The interesting and meaningful work for board members is in times of change/crisis – hiring a CEO, considering a merger, a new strategic direction, dealing with financial crisis, or a personnel scandal. It is more difficult to provide meaningful work in calm times.

Problems of Reform
Is the issue of board uncertainty of roles a result of the rise of professional management rather than a decline of trustee knowledge? Rather than narrow the work of boards and worry about board performance, it is perhaps important to figure out how to make board work more meaningful for the board member and consequential for the organization.

The full text is no longer available electronically, but hard copies may be ordered via the following link or 617.227.4624.
http://store.nonprofitquarterly.org/backv10i2.html

"Time to Stop Excusing the Inexcusable: Foundation Trustees Who Play By Their Own Rules"
Rick Cohen
***The Nonprofit Quarterly*, Winter 2003**

In this article, Rick Cohen (President, National Committee for Responsive Philanthropy) offers his prescription for countering the problems of foundation board stewardship that emanate from trustees fees, self-dealing, self-granting, and discretionary grants. They include:

- Prohibit the compensation of trustees.
- Earmark the foundation excise tax to the IRS and state attorneys general to enforce existing laws and toughen intermediate sanctions so that they have more effective enforcement tools.
- Have trade associations (e.g., IS, COF, Regional Associations of Grantmakers) develop meaningful standards that deal with these problem areas.

The full text can be ordered via the following link:
http://store.nonprofitquarterly.org/

Effective Foundation Boards: The Importance of Roles
Christine W. Letts
Unpublished Paper, October 2005

Unlike corporate or nonprofit boards, foundation boards are highly flexible in determining the scope of their work and how it will be carried out. In this article, the author argues that this flexibility has certain implications for the effectiveness of foundation boards and discusses how flexibility affects accountability and organizational design. She makes a case for the importance of certain roles the board can play in addressing some of the problems inherent to foundation boards.

Letts identifies three problems commonly faced by boards: 1) lack of clarity; 2) lack of influence; and 3) lack of responsibility for impact. Tackling these problems and achieving clarity, influence, and responsibility are three keys to more effective governance. Letts believes these problems can be overcome by examining and establishing the roles of board members as individuals and as a collective group.

The article identifies six types of roles board members can take.

1. *The Informed Giver Role*. Board members serve as the primary staff of the organization and are responsible for all aspects of the grantmaking process.

2. *The Advisor Role.* Outside consultants or advisors who come onto the board to mitigate conflict or provide specific expertise.

3. *The Co-Producer Role.* Board members work closely with staff and participate in analysis, planning, and monitoring grants.

4. *The Grants Approver Role.* Board members approve all grants.

5. *The Policymaker Role.* Board members interpret the mission, approve strategies, and assure that the grantmaking programs are consistent with the foundation's mission and strategy.

6. *The Accountability Role.* In addition to establishing what the foundation does, board members establish how the foundation should be held accountable including how to communicate with constituents and how to evaluate the foundation's work.

Letts identifies the positive and negative aspects associated with board members assuming each type of role and suggests ways to avoid some of the pitfalls.

The full text can be accessed via the following link:
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=642562

Beyond Compliance: The Trustee Viewpoint on Effective Foundation Governance
Phil Buchanan, Ellie Buteau, Sarah Di Troia, and Romero Hayman
The Center for Effective Philanthropy, 2005

This report examines the means by which foundation boards can maximize their effectiveness, as measured by trustee perception of foundation board effectiveness from a survey of 607 trustees and 53 CEOs at 53 large U.S. foundations, and more in-depth interviews with 25 trustees and 20 CEOs. The reports finds that trustees perceive boards to be more effective if the board is involved in the strategic business of the foundation, including assessing foundation performance.

While 42 of the 53 foundations have voluntarily adopted new governance standards and policies similar to those mandated by Sarbanes-Oxley, the report emphasizes that these measures do not address the issue of how foundation boards maximize their effectiveness. Based on the analysis of the survey responses, the report identifies several ingredients for effective foundation governance, they include:

- Finding an appropriate mix of trustee capabilities and utilization of those skills.
- Encouraging engagement in strategy development and impact assessment.
- Focusing board discussions on important topics.
- Maintaining positive relationship with the CEO.
- Creating opportunities for influence and respectful dissent in board meetings.

In general, foundation trustees, from across the range of foundations, shared the belief that these were the most critical factors. However, there were two situations in which board dynamics seemed to be linked to board characteristics. Compensated trustees spend a third more time on foundation-related businesses outside of board meetings and are more likely to perform activities such as site visits and reading materials before a meeting than non-compensated trustees. Minority members of boards with only one or two other minority members gave lower ratings about the extent to which each member has an equal opportunity for influence than non-minority trustees; however, once a board contains three or more minority trustees, ratings do not differ between minority and non-minority trustees.

The full text can be accessed via the following link:
http://www.effectivephilanthropy.org/images/pdfs/CEP_Beyond_Compliance.pdf

"Great Boards Make a Real Difference"
Deborah S. Hechinger
***Trusts and Estates*, October 2005**

The importance of the work of nonprofits in society requires nonprofit boards to go beyond merely being responsible. Hechinger argues that nonprofit boards must be "exceptional," acting as a strategic asset to their organizations. Although boards must first ensure legal compliance and act in the best interest of their organization, to be exceptional, they must be thoughtful and engaged leaders who actively advance their organization's mission. This article lists the twelve characteristics common to exceptional boards that are identified in *The Source*, as opposed to boards that are merely responsible and competent.

This article highlights the following three characteristics of an exceptional board:

- An open, honest relationship between chief executives and boards.
- "Intentionality" – exceptional boards are thoughtfully composed, self-aware, proactive, and flexible.
- Board members who are passionate about the organization's mission and are highly engaged in its work.

The Twelve Principles of Exceptional Boards:

1. Constructive Partnership
2. Mission Driven
3. Strategic Thinking
4. Culture of Inquiry
5. Independent-Mindedness
6. Ethos of Transparency
7. Compliance with Integrity
8. Sustaining Resources
9. Results-Oriented
10. Intentional Board Practices
11. Continuous Learning
12. Revitalization

The full text can be accessed via the following link (subscription required):
http://subscribers.trustsandestates.com/wall.html?return=http://subscribers.trustsandestates.com/

"The New Work of the Nonprofit Board"
Barbara E. Taylor, Richard P. Chait, and Thomas P. Holland
***Harvard Business Review*, September-October, 1996**

This article states that nonprofit boards are often ineffective for several reasons. The reasons include the following:

- A chief executive who fears a strong board and hoards information.
- Board members who lack understanding of the nonprofit's work and avoid dealing with issues requiring specialized knowledge.
- A lack of personal accountability.
- A lack of teamwork.

The authors suggest ways to improve nonprofit board effectiveness by engaging in "new work," which they defined as "work that matters." Such boards have four characteristics:

- Concern with issues crucial to the nonprofit's success.
- A drive to obtain results that are linked to defined timetables.
- A provision of clear measures of success.
- Engagement of a nonprofit's internal and external constituencies.

The authors make the following suggestions for improving board effectiveness:

- Trustees and management must work together to determine the important issues and the agenda of the organization, with the CEO providing the "big ideas." In doing this, trustees and management should get to know key stakeholders and constituent priorities, consult experts in order to understand relevant changes in public policy and access specialized knowledge, and identify critical indicators of success.
- Avoid dividing policymaking and implementation responsibilities between the board and managers, respectively. Both should work together to develop and implement policy.
- The board and the board's work must be structured around the nonprofit's priorities, and committees, work groups, and task forces should mirror strategic priorities rather than functional areas.
- Board meeting should be goal-driven and structured to accomplish these goals, rather than following a set format. Participation and discussion should be emphasized.

The full text can be accessed via the following link (subscription required):
http://harvardbusinessonline.hbsp.harvard.edu/b01/en/common/item_detail.jhtml?id=96509

Six Traits of Effective Board Members: Remarks by Susan V. Berresford
Board Source Leadership Forum, October 12, 2007

Susan Berresford addressed BoardSource at their leadership forum in San Francisco on October 12, 2007. Her comments centered on nonprofit governance, specifically the new laws, rules and voluntary standards recently developed. Susan Berresford is president of the Ford Foundation as well as president of its board. She has further served on numerous boards of both for-profit and nonprofit organizations.

Berresford suggests that new governance standards are important in their ability to ensure accountability and transparency, but not sufficient for "ultimate effectiveness." She identifies six principles for board member behavior that foster success.

Board members should be:

- Be partners with their CEO.
- Be good listeners.
- Strike a balance between allowing the CEO to manage and ensuring ethical standards are met.
- Ask "naïve" questions.
- Be positive representatives for their organization.
- Be energetic in learning and helping the organization.

The full text can be accessed via the following link:
http://www.fordfound.org/newsroom/speeches/213

Ten Essential Responsibilities of Foundation Board Chairs
Board Source and the Council of Michigan Foundations, 2008

Board chairs represent one of the more significant positions ensuring foundation's success. They act as the coach (providing guidance), captian (support and encouragement), and quarterback (board leadership) to ensure foundation resources are used to their best potential. This report is a primer designed to increase understanding of the role of board chair by identifying 10 essential responsibilities and related practical tips.

1. *Be Faithfull to Mission* – create and encourage passion for a clear mission based on donor intent. Ensure board meetings and all decisions are focused on mission and dedicate one part of a meeting annually to review the mission statement.
2. *Guide the Grantmaking Strategy* – develop and follow a grantmaking strategy with clear policies and processes. Review grantmaking history to understand and refine supported causes. Inclusion of the foundation's chief executive is important for successful implementation.
3. *Map Out the Future* – engage in strategic planning to set-up plans to accomplish within the next three to five years. Use the foundation mission to clearly define a set of goals and strategies that can be accomplished and measured.
4. *Stay Focused on Financial Oversight and Legal Compliance* – acting as a steward of the foundation's assets, carefully guide budget decisions, annual audits, and investment policies. Ensure compliance with legal requirements and encourage transparency.
5. *Master the Art of Facilitating Meetings* – coordinate board meeting agendas, communicate with trustees and facilitate productive board meetings. Administrative issues, community context, grantmaking and financial reports are traditional agenda items.
6. *Connect the Dots between Committees* – coordinate various foundation committees to ensure a more efficient board system.
7. *Build a Board That is Strong and Engaged* – thoughtful decisions made regarding the composition and recruitment of board members is important. Setting realistic expectations, cultivating new leaders, and listening to voiced concerns encourage an engaged board.
8. *Communicate with the Community* – act as community spokesperson to inspire common support for the foundation mission.
9. *Oversee Administrative Work* – partner with the chief executive to foster open lines of communication, find common ground, and clarify roles and responsibilities throughout the organization.
10. *Assess Performance* – periodically review the foundation's progress on accomplishing its mission by assessing the chief executive and board's performance as well as grantmaking and community impacts.

While incorporating the above responsibilities into board activities, it is also important to lead the board with your own example and delegate duties to other board members based on expertise.

Full text can be accessed via the following link:
http://www.boardsource.org/dl.asp?document_id=631

Executive Leadership

Executive Transitions: Grantmakers and Nonprofit Leadership Change
GrantCraft, 2006

Next in Line: Five Steps for Successful Succession Planning
Andre N. Mamprin
The Center for Association Leadership, Executive Update, December 2002

Competencies for Chief Executive Officers of Private Foundations
Council on Foundations, 2006

Executive Transitions: Grantmakers and Nonprofit Leadership Change
GrantCraft, 2006

This guide consists of a range of topics concerning nonprofit leadership change, which is seen as an opportunity for an organization to strengthen its capacity, expand its vision, and plan for future stability and growth.

In "The Grantmaker's Role in Leadership Transitions," experienced grantmakers suggest that foundations can help their grantees work through executive transition by doing the following:

- Addressing leadership transitions systematically through a foundation-wide program.
- Strategically approaching grantees.
- Lending support when asked.
- Getting involved when there is a problem.
- Keeping involvement to a minimum.

In "Assisting Organizations in Transition: Money and More," grantmakers endorsed several tactics: 1) providing transition grants; 2) offering information and in-kind assistance; 3) requesting key information (i.e., a plan from the nonprofit); 4) encouraging succession planning and knowledge transfer; and 5) forming funders' collaboratives to help organizations with leadership change.

In "Making Common Cause with the Board," tips are offered for providing transition assistance to a board, when historically the foundation worked solely with executive director. These tips include:

- Developing a relationship with board leaders in advance.
- Helping to familiarize boards with leadership succession resources.
- Recognizing that helping a board through an executive transition can be a long process.
- Recommending an analysis of the organization's finances.
- Encouraging succession planning.
- Offering to hire a transition consultant or search firm.

In "Supporting Existing and Incoming CEOs," grantmakers offered several pieces of advice for saying "good-bye" to an exiting CEO: make departures a normal part of the conversation, recognize and respond to CEOs' concerns, and encourage and support activities to honor a job well done.

To welcome a new executive, foundations can:

- Provide special funding (to hire a transition consultant or coach).
- Reach out to the board.
- Encourage dialogue about leadership succession.
- Develop opportunities for peer support and education.
- Pay attention to compensation.
- Make it easy for the new CEO to ask for help.

In “Opening the Way for New Leaders,” grantmakers mentioned strategies to help strengthen and diversify leaders. They include:

- Identify local leaders and help develop their skills.
- Look within communities being supported.
- Help develop professional networks.
- Build the leadership skills of senior managers (especially people of color and women).
- Encourage diversity on grantee boards.
- Encourage “stretch” assignments.
- Pair upcoming leaders with established ones.
- Recognize and validate the new generation of leaders.
- Take steps to develop and retain younger nonprofit staff.
- Help nonprofits “throw the net wide” (don’t only recruit in the usual places).

The full text can be accessed via the following link (registration required):
http://www.grantcraft.org/index.cfm?fuseaction=Page.viewPage&pageID=851

Next in Line: Five Steps for Successful Succession Planning
Andre N. Mamprin
The Center for Association Leadership, Executive Update, December 2002

This article makes the case that the smart way for organizations to "combat the looming leadership succession crisis" is to identify and develop the internal talent needed for key executive positions. Succession planning must be interwoven with the organization's strategic objectives and should reflect the way the organization needs to evolve in order to meet its goals. Therefore, predicting alternative futures needs to occur. In addition, the creation of a shared vision and consistent values is critical to strengthening leadership capacity throughout all levels of the organization and to create a knowledge-based culture.

The following five-step process can provide a strong framework for effective organization succession:

Step 1: Building a Solid Organizational Foundation
Before an executive leaves, it is important that there be a solid legacy of performance, a solid staff, stable finances, and a clear vision.

Step 2: Co-developing the Leader's Exit Strategy
The leaders should develop a road map and the board and senior management must be involved with and support the planning process. It must be "owned" in part by all staff. (For instance, a search committee could be structured with staff representation and given the task of clarifying the organization's vision, future challenges, and thus, a new executive's qualities.)

Step 3: Minimizing the Organization's Risk
Proper legal documents, agreements, and business plans should be in place to minimize risk in case of emergency situations. In addition, good legal counsel and insurance consultants can help ensure an organization's efforts are comprehensive and well implemented.

Step 4: Strengthening Organization Management Systems and Processes
Essential competencies need to be in place, such as an effective structure; the best possible staff; the development of leadership skills; and efficient plans, processes, systems, and procedures for delivering services.

Step 5: Transitioning the Leadership
For the transition, gaps need to be identified between the required leadership and the existing talent pool. Matching a new leader to the desired culture and new vision is critical. Ideally there would be a period of overlap to support some of the learning required by the successor for him/her to be successful.

The full text can be accessed via the following link:
http://www.asaecenter.org/PublicationsResources/articledetail.cfm?ItemNumber=13393

Competencies for Chief Executive Officers of Private Foundations
Council on Foundations, 2006

This report draft identifies the functions of the private foundation CEO based upon research by the Council on Foundations' Advisory Committee for Executive Programs. While a foundation's size, style, culture, and stage in its organizational life cycle will vary, 13 functions describe the job responsibilities for most private foundation CEOs. Competencies, or skills and knowledge, required to perform each function are also identified, along with core competencies that any CEO, regardless of field, needs to master.

Functions are divided into three categories with their respective functional competencies:

1. Internal (Organizational) Leadership

- Mission Stewardship: Foundation's External Context, Foundation's Organizational History and Culture.
- Board Relations: Board Development, Governance.
- Values and Ethical Standards Management: Ethics Management, Foundation's Organizational Values, History and Culture.
- Identify Management: Foundation's Organizational History and Culture, Public Relations.

2. Internal (Organizational) Management

- Staff Management: Adult Learning, Staffing.
- Financial Management: Federal and State Laws, Financial Accounting, Investment and Financial Planning.
- Programmatic Management: Grantmaking.
- Legal Issues Management: Federal and State Laws, Foundation Guidance and Regulations.
- Accountability and Evaluation Management: Accountability/Program Monitoring, Performance Measurement and Evaluation.

3. External Leadership

- Visionary Leadership: Advocacy, History and Culture of Philanthropy.
- Partnership Management: Partnership Development, Partnership Management.
- Education and Public Engagement: Advocacy, Policy Analysis.
- Issue-Area Visionary Leadership: Advocacy, Foundation Focus Areas.

<u>Core Competencies include:</u>

1. Collaboration/Partnership
2. Communication
3. Decision-making
4. Governance
5. Management
6. Organizational Development
7. Personal and Professional Development
8. Planning
- Vision Setting

The full text can be accessed via the following link:
http://www.cof.org/files/Documents/Emerging_Issues/06CEOFunctions.pdf

PHILANTHROPIC STRATEGY AND PRACTICE

General

"Higher Impact Philanthropy: Applying Business Principles for Philanthropic Strategies"
Thomas J. Tierney
Philanthropy, February 14, 2007

"Catalytic Philanthropy"
Mark R. Kramer
Stanford Social Innovation Review, Fall 2009

Essentials of Foundation Strategy
Ellie Buteau, Phil Buchanan, and Andrea Brock
The Center for Effective Philanthropy, 2009

"Galvanizing Philanthropy"
Susan Wolf Ditkoff & Susan J. Colby,
Harvard Business Review, November 2009

Taking Risks at a Critical Time
Grantmakers in Health, March 2010

"Beyond the Veneer of Strategic Philanthropy"
Patricia Patrizi and Elizabeth Heidi Thompson
The Foundation Review, Vol. 2, Issue 3, 2011

"Letting Go"
Kristi Kimball and Malka Kopell
Stanford Social Innovation Review, Spring 2011

Widespread Empathy: 5 Steps to Achieving Greater Impact in Philanthropy
Grantmakers for Effective Organizations and Jump Associates, 2011

Is Grantmaking Getting Smarter? A National Study of Philanthropic Practice
J McCray
Grantmakers for Effective Organizations, March 1, 2012

"What Can Data do for Philanthropy?"
Alliance (Volume 17, Number 3), September 2012
- "Data for good," Larry McGill
- "A conversation: Rose Gallego and Bradford Smith"
- "Data for what," Maria Chertok
- "Three cautions about data," Luc Tayart de Borms;
- "Data-first philanthropy," Lucy Bernholz

"Higher Impact Philanthropy: Applying business principles to philanthropic strategies"
Thomas J. Tierney
***Philanthropy*, February 14, 2007**

In this essay, Thomas Tierney, President of Bridgespan, offers his observations on how philanthropy and foundations that operate in a world of personal, self-imposed accountability, and with limited consequences from their decisions, can do better in terms of impact.

Tierney suggests that philanthropy has a tendency to behave in ways that are counterproductive to results. Examples are:

1. Acting like a principal with control rather than an intermediary without influence.
2. Going it alone, which limits their ability to leverage philanthropic reserves and knowledge.
3. Underestimating and under-investing. Foundations often underestimates the time and costs of achieving results and often fail to invest in organizational capacity, in particular recruitment, retention, and development of leaders.

As a consequence, there are added costs to philanthropic capital. The need to raise funds involves costs to the nonprofit organization beyond the fundraising costs – the cost of management disruption and strategic distraction.

Moving from feel-good philanthropy to high impact philanthropy requires that "motive matters most." High impact philanthropy requires that philanthropists or foundations realize that how they give is as important as what they give to. It requires a willingness to bet on future outcomes, and accept some degree of risk. To simply minimize risk through small grants is often misguided as it may only weaken chronically undercapitalized organizations that struggle to survive and meet their missions.

This article is drawn from Tierney's chapter in the recently released book, *Taking Philanthropy Seriously: Beyond Noble Intentions to Responsible Giving*, edited by William Damon and Susan Verducci.

The full text can be accessed via the following link:
http://www.philanthropyroundtable.org/article.asp?article=1453&cat=147

"Catalytic Philanthropy"
Mark R. Kramer
***Stanford Social Innovation Review*, Fall 2009**

Mark Kramer's central argument is that despite helping to create the world's largest nonprofit sector philanthropy has fallen short in terms of solving the most pressing social problems, spending too much time simply trying to choose the most deserving nonprofits rather than searching for solutions. Specifically, donors delegate to nonprofits all responsibility for devising and implementing solutions to social problems; and supporting the underfunded, non-collaborative, and unaccountable approaches of small nonprofits struggling to tackle an issue is unlikely to lead to workable solutions for large-scale social problems. He suggests a new approach for donors: catalytic philanthropy.

Kramer suggests that there are four distinct practices that separate catalytic philanthropy from the rest. First, catalytic philanthropists have the ambition to change the world and the courage to accept responsibility for achieving the results they seek, not merely write checks. Second, catalytic philanthropists engage others in a compelling campaign, empowering stakeholders and creating the conditions for collaboration and innovation. Third, catalytic philanthropists use all of the tools that are available to create change, including unconventional ones from outside the nonprofit sector, such as corporate resources, investment capital, advocacy, litigation, and even lobbying. And, finally, catalytic philanthropists create actionable knowledge to improve their own effectiveness and to influence the behavior of others, i.e., information that carries emotional appeal to capture people's attention and practical recommendations that can inspire them to action.

Full text can be accessed via the following link:
http://www.ssireview.org/images/ads/2009FA_feature_Kramer.pdf

Essentials of Foundation Strategy
Ellie Buteau, Phil Buchanan, and Andrea Brock
The Center for Effective Philanthropy, 2009

As a follow-up to the Center for Effective Philanthropy's 2007 report *Beyond Rhetoric: Foundation Strategy*, this study examines how foundation CEOs and program staff make decisions and use strategy in their work. In their definition, "strategy" entails a focus on the external context in which the foundation works, and a hypothesized causal connection between use of foundation resources and goal achievement.

It is based on survey data from CEOs and/or staff at 155 different private foundations with assets of $100 million or more. (The CEO response was 23 percent, the staff response rate was 31 percent, and 36 foundations had both CEO and staff respond.)

Leaders are classified as "more strategic" or "less strategic" based upon the extent that they have an external orientation to their decision-making, and they connect their resource allocation decisions to their goals. The more "strategic leaders" differ from less strategic leaders on four key characteristics: 1) they regularly reference their strategic plans; 2) they publicly communicate their strategy; 3) they are proactive in their grantmaking; and 4) they have measures by which to assess their impacts. The report notes that leaders often place too much emphasis on the strategic plan relative to the links between strategy and outcomes, and that leaders are often uncertain about the right data to collect to measure their outcomes. The authors note that acting strategically not only connects actions to goals in an explicit manner but also may assist in the development of interim performance indicators with which to gauge progress.

Full text can be accessed via the following link:
http://www.effectivephilanthropy.org/assets/pdfs/CEP_EssentialsOfFoundationStrategy.pdf

"Galvanizing Philanthropy"
Susan Wolf Ditkoff and Susan J. Colby
***Harvard Business Review*, November 2009**

Given that foundations are largely exempt from the competitive forces imposed on businesses and government through markets and elections respectively for performance, Ditkoff and Colby suggest that they should develop an overarching strategy guided by three essential questions. How do we define success? What will it take to make change happen? And, how can we improve our results over time? The authors present case examples from The James Irvine Foundation, The Bill and Melinda Gates Foundation, The David and Lucile Packard Foundation, and The Edna McConnell Clark Foundation to highlight the importance of each question. They conclude that in order to creating lasting environmental, social, and economic change philanthropic investors need to rigorously define their goals, be realistic about how to achieve them, and commit to continual, systematic improvements.

First, defining goals or success often means setting boundaries and making difficult decisions. Frequently this involves narrowing the focus of the grantmaking portfolio. Though painful, it may be necessary to defund certain activities that have come to define a foundation over time. Second, philanthropic investors must be realistic about the resources and time required to bring about meaningful change. Often, investors are too optimistic about what limited resources can accomplish and their work lacks an overarching theory of change. The result is that foundations evolve over time and frequently create processes that can run counter to their core strategy. Investors must determine if the foundation has created clear, respectful mechanisms for sourcing, selecting, supporting, and sustaining grantees. Third, continual and systematic improvements require that investors to track results in order to improve outcomes and maximize grantmaking impacts. This process requires both strong leadership and a culture dedicated to continual improvement. Foundations must also solicit outside perspectives and be willing to admit missteps and make course corrections.

To these three keys to galvanizing philanthropy the authors add that foundations should recognize the power of nonfinancial assets. These include: expertise in strategic planning and capacity building, access to partnerships, generating public support, advocacy, and the power to convene.

Ditkoff and Colby conclude by stating that, while the three steps they lay out are difficult, "many philanthropic investors haven't been rigorous enough in their pursuit of such strategies." Creating change and maximizing impacts requires self-imposed discipline. Foundations must, therefore, plan strategically, review and adjust their grantmaking, and make sure to align their staff and other processes to meet strategic goals.

Full text can be accessed via the following link:
http://hbr.org/2009/11/galvanizing-philanthropy/ar/1

Taking Risks at a Critical Time
Grantmakers in Health
March 2010

These essays focused on the importance of foundation risk-taking were prepared for the annual meeting of Grantmakers in Health (GIH). They highlight that while it is conventional wisdom that philanthropic dollars are the risk capital of society, there is ample evidence to the contrary. The current economic downturn and heightened uncertainty present a unique moment to reflect on opportunities for risk-taking. The value of risk for foundations derives from its relationship to the philanthropic goals the foundation wants to achieve.

Being free from profit and loss considerations gives foundations more latitude than business to take risks, yet there are few external pressures on foundations to take risks in order to be successful. But, risk aversion comes with its own price, namely missed opportunities to tackle emerging problems, develop new relationships and strategies, or increase foundation influence. Unless a foundation grant portfolio includes a healthy proportion of failures, the foundation has not taken enough risks and is simply substituting philanthropic money for government or market money and hence is not fulfilling its societal role. Foundations should take more risks and learn from the failures so as to improve the design and implementation of social investments.

Of particular note is the essay by Tom David, "A Defining Moment for Health Philanthropy." David provides data showing that foundation assets have enjoyed tremendous growth in the last three decades while grantmaking has remained fairly conservative. He argues "instead of emboldening us, our relative wealth has actually made us even more risk averse. We have become financial institutions who have been stockpiling capital for an opportunity just like the one in which we find ourselves."

David points to strong cultural forces within foundations that combine aspects of banks and universities such as the investment committees and boards that have a tendency to focus on growing the assets of the foundation, and the "siloization" of foundations into disciplines and program areas, akin to academic departments.

He offers recommendations that will help foundations become less risk-averse. They are:
Initiate an institution-wide conversation about risk

- Recalibrate your endowment baseline
- Increase your grantmaking this year
- Ease up on control of your grantees
- Make some big bets
- Get serious about mission-related investing
- Invest in advocacy
- Share what you are learning and thinking

The full text of the article can be accessed via the following link:
http://www.gih.org/usr_doc/taking_risks_at_a_critical_time.pdf

"Beyond the Veneer of Strategic Philanthropy"
Patricia Patrizi and Elizabeth Heidi Thompson
***The Foundation Review,* Vol. 2, Issue 3, 2011**

This article argues that most foundations have only adopted the veneer of strategic philanthropy. Despite being a dominant theme among foundations in the past few decades, strategic philanthropy has been only partially conceived, let alone implemented, in most foundations. Though a look at foundation board books will reveal its trademarks – theories of change or logic models, strategy papers, performance metrics, trustee-friendly dashboards, these elements alone do not make foundations strategic, nor are they sufficient for strategic philanthropy.

Based on information that was shared at the Forum on Foundation Strategy that was convened by The Foundation Review in May 2008 and their own experience working with foundations on evaluation, the authors identified four key challenges for foundation leaders pursuing a strategic philanthropic approach:

- *Challenge 1: Strategy Planning Is Separated From Doing* – The authors found that many foundations make the mistake of approaching strategy development as an upfront, analytic exercise that ends when implementation begins.

- *Challenge 2: Whose Strategy Is It, Anyway?* **–** Not only are plans often separated from implementation, they're often developed in isolation from those doing the work – the grantees supported to execute the strategy.

- *Challenge 3: Does Your Organization Support Your Strategy?* – This fundamental shift for a foundation – from banker to strategist – rarely has triggered an examination of how it needs to change its organization, the people, structure, resources, and processes to support its strategy work.

- *Challenge 4: Most Strategies Are Silent on the Foundation's Role* – Foundation staff can speak easily about the ways that they add value beyond dollars, including their ability to convene, see the "big picture," share learning, and spread knowledge among grantees. Yet, most foundations are relatively silent on the role they play in strategy as it is implemented.

To address these challenges, the authors argue that foundation leaders need to wrestle with what their real value is and develop the adaptive capacities to hone their competence at delivering that value. They need to make changes to their organizational structure to enable them to work on the front lines of strategy. They need to engage with grantees as full partners in developing and implementing strategy. They need to get closer to implementation and work through the implications of what they learn in an effort to improve strategies as they evolve. Most of all, they need to get better at learning and applying that learning to strategy.

The full text of the article can be accessed via the following link:
http://www.gvsu.edu/cms3/assets/C6EE62EC-E0C1-54F2-D0212D5174A27DAF/pdf/tfr/tfr_beyond_the_veneer_of_strategic_philanthropy.pdf

"Letting Go"
Kristi Kimball and Malka Kopell
***Stanford Social Innovation Review,* Spring 2011**

This article focuses on the need for foundations to adopt practices that amplify rather than undermine nonprofit impact as they adopt a strategic philanthropy approach. While they laud the positive influence of this approach in helping foundations clarify their goals and evaluate their progress, they note that funders insist on controlling the ways in which social problems are solved which limits the effectiveness of the approach. Specifically, they take issue with two aspects of current practice:

- *Foundation-Designed Solutions*: When solutions are centrally planned by people who are distanced from the real work in the field, the solutions are often poorly implemented. The organizations tasked with implementation feel little ownership or passion for projects they didn't dream up themselves. The same holds true for foundation funding of nonprofits.
- *Tunnel Vision:* To avoid spreading funding too thinly, many foundations choose to invest in only one solution or pathway to their goal. Instead of letting 1,000 flowers bloom, they think they can afford just one variant. Focusing narrowly on one solution is a fragile strategy, particularly in complex, unpredictable environments.

In addition to undermining implementation and producing disappointing results, foundations trying to control exactly how social problems are solved may lead them to ignore highly effective programs and organizations and stifle innovation.

The article concludes by offering some approaches that forward-looking foundations have adopted that are tight on goals and loose on means:

- **General support for effective organizations and leaders**. Some foundations are focused on providing general support to nonprofits and individuals with proven track records. General support funding promotes effective implementation by supporting grantees' own strategies and allows them to invest in their organizational infrastructure and capacity.
- **Community designed strategies**. Community designed strategies harness distributed wisdom for solving tough, systematic problems. These foundations fund strategies that are developed collectively by nonprofits and other stakeholders in the field.
- **Fostering innovation**. Some foundations are focused on innovation to achieve high impact.

The full text of the article can be accessed via the following link:
http://www.ssireview.org/images/articles/2011_SP_Feature_Kimball-Kopell.pdf

Widespread Empathy: 5 Steps to Achieving Greater Impact in Philanthropy
Grantmakers for Effective Organizations and Jump Associates, 2011

Many people, both inside and outside of philanthropy, express concern that grantmakers are disconnected from their communities and from the organizations they support, limiting philanthropic effectiveness. This report identifies five steps that foundations can take that would achieve widespread empathy and, in turn, greater impact. In effect, high-empathy grantmakers seek to build more collaborative relationships with their grantees and the communities they serve.

The five practices and principles that can bring more empathy to grantmaking are:

1. *Make it about others, not about you.* The perception among many nonprofit and community leaders is that grantmakers are driven by their own agendas and needs, rather than by what's best for people and organizations working at the grassroots level. High-empathy grantmakers play against these perceptions and beliefs by putting the interests of others first and ask questions about whether their foundation is doing the right thing by its grantees and those applying for support.

2. *Get out of the office.* The report encourages face-to-face visits to where nonprofits do their work and working hand-in-hand with other community members.

3. *Bring the outside in.* High-empathy foundations actively try to remove the barriers that can contribute to isolation and anonymity in their communities. One way to start is to bring in nonprofit executive directors and staff, as well as representatives of the communities that are the focus of a foundation's grantmaking. Some foundations also open up their office space as a resource for community and nonprofits looking for a meeting space.

4. *Invest in what it takes.* Creating widespread empathy within an organization may require stepped-up investments in operations, starting with staff. Grantmakers also might find they have to invest in new processes, new systems and new strategies to nurture deeper connections with the people and the communities they serve.

5. *Lead from the top.* One of the most essential characteristics of high-empathy organizations is a leadership team that walks the talk and demonstrates high-empathy behaviors in its everyday work. Leaders can start by reviewing their own work practices to assess the extent to which they build relationships, get out of the office, etc.

The full report can be found at:
http://www.geofunders.org/home.aspx

Is Grantmaking Getting Smarter? A national study of philanthropic practice
J McCray
Grantmakers for Effective Organizations
March 2012

This report summarizes the findings of the 2011 survey of grantmakers and their "smart" grantmaking practices, i.e., those that are designed to equip nonprofits to tackle head on the deep-rooted problems they are trying to solve. The report identifies four specific grantmaking practices that can be directly linked to nonprofit results:

- Funding nonprofits in a way that allows them to nimbly address systemic problems (e.g., general operating, multiyear and capacity-building support).
- Taking opportunities to look at lessons learned and sharing this information with others.
- Engaging stakeholders at key decision-making moments, including strategy setting.
- Collaborating with other funders to channel resources to promising approaches and reduce the application and reporting burden.

In a time of turbulence in the field, driven in large part by a severe economic downturn, the survey showed that grantmakers are commited to several practices they know are connected to grantee success.

- *Funders continue to provide capacity building support and general operating support to nonprofits.* Survey results show that just over half of grantmakers did not change total dollars for general operating support (51%) and capacity building support (59%) during the prior to years; and about a quarter increased total dollars for general operating support (28%) and capacity building support (24%) during the prior two years. However, grantmakers still provide program funding most often.
- *Given limited funds, some foundations made improvements to their internal processes***.** The biggest shift was a faster turnaround time for grant applications – from a median of 90 days to a median of 60 days. More funders also said they made their application requirements proportionate to the type and size of grant. The survey also found that the percentage of foundations soliciting feedback rose from about a quarter of foundations to a third.

In general, the survey found that grantmakers did not change their approach in several critical areas. First, the median amount of annual grantmaking budget devoted to general operating support was steady at 20 percent. Second, stakeholder engagement practices stayed the same, with 60 percent of foundations surveyed assessing the needs of the community and about half inviting stakeholders to address board members. And third, in terms of evaluation, the foundations' surveyed identified all the same reasons for evaluation as in prior years, except in one aspect where grantmakers were less likely to identify strengthening future grantmaking as an important reason for evaluation. The survey found that foundations still appear to be focused on proof and accountability rather than learning with and among peers.

The full report can be found at:
http://www.geofunders.org/storage/documents/2011_geo_field_study_final.pdf

"What Can Data do for Philanthropy?"
***Alliance* (Volume 17, Number 3)**
September 2012

In this issue of *Alliance*, experts weigh in on the potential benefits and challenges of using data and its effect on philanthropic strategy and practice.

Larry McGill's article, "Data for good," looks at the broad benefits of using data. Effective use of data helps to maximize impact and minimize risk by providing market intelligence and opportunities for ongoing learning that would not otherwise be available. The author identifies a need for systematic data collection and analysis about foundation activity in the sector. To this end, a "global philanthropy data charter" that would commit foundations to establishing "common data standards" for the field is recommended.

"A conversation: Rose Gallego and Bradford Smith," (Chair of DAFNE and President of the Foundation Center, respectfully), is a discussion of the state of data in both the U.S. and in Europe. They note that data about philanthropy in Europe is less robust than in the U.S., largely as the result of complications of tracking philanthropic activity in different European countries. However, significant progress in collecting better data about foundations in Europe, and the potential for further action through the WINGS Philanthropy Data Network is being made.

Maria Chertok's article, "Data for what?" discusses the tensions between the desire to have data about "everything possible" and its "ultimate usability." Foundations both in Europe and the U.S. frequently develop databases before developing an understanding of how it will be used or how the information can be compared. As such, the article underscores the importance of developing guidance on collecting data. It also suggests that when releasing data to the public about philanthropy, the information needs to be interpreted and placed into context. At the same time, data should be simple and self-explanatory. The author recommends the use of indices and rating systems to communicate the value of the sector to the broader community.

Luc Tayart de Borms' argues in "Three cautions about data" that relying too much on data can be dangerous. First, the nonprofit and philanthropic sector frequently collects too much information (mostly through surveys) that is both labor intensive and not always useful. Second, the information collected by or about foundations can be misleading and needs to be interpreted in multiple ways. Third, the sector needs to look beyond only gathering and using quantitative data as well as to be mindful about the values inherent in the use of benchmarks.

Lucy Bernholz's article, "Data-first philanthropy," takes a broad view of philanthropy, imagining what philanthropy and social investing will look like when it is "truly built around data" rather than adding data to existing practices, as is current practice. Examples are used to demonstrate how data can drive practice (e.g., in publishing and medical research). Data from mapping and mobile technology will continue to contribute to grow. Information accessible to the online community, and the speed with which that community can act, will change the nature and roles of "donors" and "doers" in traditional philanthropy.

The series of articles can be found at:
http://www.scribd.com/doc/104897093/Alliance-September-2012-DATA

Public Policy Engagement

"Foundations & Public Policymaking: Leveraging Philanthropic Dollars, Knowledge and Networks"
James M. Ferris
The Center on Philanthropy and Public Policy, USC, 2003

"Improving the Health of Californians: Effective Public-Private Strategies for Challenging Times"
James M. Ferris and Glenn A. Melnick
Health Affairs, Volume 23, Number 3, 2004

"Reflections on Public Policy Grantmaking"
Ruth Holton
The California Wellness Foundation, *Reflections*, Volume 3, Number 2, 2002

"Foundations & Public Policymaking: Leveraging Philanthropic Dollars, Knowledge and Networks"
James M. Ferris
The Center on Philanthropy and Public Policy, USC, 2003

This report examines the choices foundations face when they engage in the policymaking process. Foundations have three major assets which are utilized in public policy grantmaking: dollars, knowledge, and networks. The report identifies the internal and external factors present in a foundation that lead it to the decision to engage in public policy, including mission and philosophy, scale and scope, the law, and the philanthropic environment. Once a foundation chooses to enter the policy arena, it must decide where to engage and how to employ its assets effectively. Findings from the report indicate that foundations that engage in public policy making must be committed and willing to incur risk. Foundations that choose this path can make a great difference and are uniquely positioned to create the infrastructure for public policy that stimulates conversations about public problems and policy solutions.

The full text can be accessed via the following link:
http://www.usc.edu/assets/cppp/dl.php?file=FPP_Report.pdf

"Improving the Health of Californians: Effective Public-Private Strategies for Challenging Times"
James M. Ferris and Glenn A. Melnick
***Health Affairs*, Volume 23, Number 3, 2004**

This paper summarizes the discussion that occurred at the November 2003 Health Policy Roundtable hosted by The Center on Philanthropy and Public Policy. The roundtable was intended to stimulate a conversation about the strategic interplay between health policy and philanthropy in a challenging economy and to identify ways in which resources can be leveraged more effectively. Given the limits of government in the states, particularly California, the paper explores ways in which health foundations can more strategically use their assets by working in concert with government.

The full text can be accessed via the following link:
http://content.healthaffairs.org/cgi/content/full/23/3/257

"Reflections on Public Policy Grantmaking"
Ruth Holton
***Reflections*, Volume 3, Number 2, 2002**
The California Wellness Foundation

The purpose of this paper is to share TCWF's experience in funding public policy and outline the reasons why the foundation believes this type of grantmaking is central to improving the health of Californians.

The paper identifies several observations about public policy grantmaking:

- A foundation should determine if public policy has the potential to affect its mission.
- Funding public policy efforts is one of the most effective ways to leverage foundation dollars.
- Foundations can be influential in determining what information is available to policymakers, opinion leaders, and the public on issues being debated.
- Effective public policy grants can be either high cost or low cost.
- A foundation does not have to fund the full gamut of policy activities to have an impact.
- Policy changes do not happen overnight.
- It can be difficult to attribute a policy achievement to the actions of specific grantees.
- Expert legal counsel is necessary.

The paper identifies three areas in which TCWF has engaged public policy: public education campaigns, funding of research and policy analysis, and advocacy.

The foundation's public education campaigns have focused on informing policymakers and opinion leaders about the health implications of proposed public policies. Some of the lessons learned from these campaigns include the following:

- Just putting the information out there is not enough.
- Develop an internal communications and public relations strategy that can respond to inquiries.
- Foundations should not pick the message, but instead have the campaign be designed by experts.
- The foundation must decide whether or not to be featured in the campaign.
- Be careful about public service announcements.

TCWF has also funded policy analysis and research on the state and local level. Various types of grants for analysis and research can generate valuable data to support key public policy messages and galvanize communities. The foundation found that the most effective research papers are those that make the issue "come alive" and are tailored to meet the needs of their audiences. In addition, the research needs to be disseminated to the right outlets in order to be effective.

The foundation's advocacy grants provide resources for state and local organizations to educate policymakers and the media, monitor the actions of administrative agencies, organize those who are affected and engage them in the process, and build coalitions needed to advance an issue.

Some of the lessons learned from advocacy funding include:

- Core operating support provides important flexibility for grantees and is the easiest way to protect a foundation from the limitations on funding lobbying activities.
- Demystifying the policy process is key to engaging community members in advocacy and this engagement has long-term benefits.
- Engaging grassroots organizations is important to a successful advocacy effort.
- Knowing the reputations of the grantees and their past experience with policymakers is critical.

The full text can be accessed via the following link:
http://www.tcwf.org/pub_reflections/may_2002.htm

Core Support

"Smart Money: General operating grants can be strategic – for nonprofits and foundations"
Paul Brest
Stanford Social Innovation Review, Winter 2003

"Reflections on the Safety Net: A Case for Core Support"
Ruth Holton
The California Wellness Foundation, *Reflections*, Volume 5, Number 1, 2003

In Search of Impact: Practices and Perceptions in Foundations' Provision of Program and Operating Grants to Nonprofits
Judy Huang, Phil Buchanan, Ellie Buteau
The Center for Effective Philanthropy, December 2006

GEO Action Guide: General Operating Support
Grantmakers for Effective Organizations, July 2007

"The Nonprofit Starvation Cycle"
Ann Goggins Gregory & Don Howard
Stanford Social Innovation Review, Fall 2009

"Smart Money: General operating grants can be strategic for nonprofits and foundations"
Paul Brest
***Stanford Social Innovation Review*, Winter 2003**

This essay discusses the competing funding strategies of strategic grantmaking and core operating support and concludes by proposing general principles for reconciling the potential competition between the two grantmaking philosophies.

The article describes two basic models of general operating support. The first model of general operating support is unrestricted grants with "no strings attached" and minimal donor engagement. Donors of this type do not seek to influence the grantee's actions directly and often rely on newsletters or annual reports to learn of the organization's accomplishments. In contrast, negotiated general operating support is based on an agreed-upon strategic plan with outcome objectives. In this case, the funder engages in a due diligence process and forms an agreement with the grantee regarding outcomes and reporting. The funding supports the organization's operations as a whole and the grantee maintains considerable autonomy over how the money is spent. Operating support contrasts with project support when grants provide support to specific programs already in existence or to new programs.

Brest argues that strategic philanthropy is generally more suited to project support or negotiated general operating support, but notes that engaging in strategic philanthropy does not necessarily mean that a funder will only conduct project support. He recognizes, however, that there are tensions between the different interests of funders, grantees, and funders and grantees together.

The funder's interests include a strategic focus, accountability, evaluation, and making an impact. Grantee organizations are interested in maintaining autonomy, coherence, and sustainability. Together the interests of funders and grantees include: optimal deployment of expertise, flexible responses, advocacy, and creating a robust nonprofit sector. Brest argues that the real issue then is not general operating support versus project support, but how best to accommodate all of these different interests.

He proposes three principles for achieving this outcome. First, funders should actively consult with others in the field when designing grantmaking strategies. Second, funders should have a presumption in favor of negotiated general operating support. Finally, project support should presumptively include the organization's indirect costs, so as not to "free ride" on others' general support.

The full text can be accessed via the following link:
http://www.ssireview.org/articles/entry/smart_money/

"Reflections on the Safety Net: A Case for Core Support"
Ruth Holton
***Reflections*, Volume 5, Number 1, 2003**
The California Wellness Foundation

Over the past seven years, The California Wellness Foundation has provided core operating support to the state's community-based clinics that provide care regardless of a patient's ability to pay. This report shares the foundation's experiences with this project.

Given the state's size and the number of safety net providers, the foundation felt that the most strategic way to support the health safety net was by focusing its efforts on strengthening and supporting nonprofit, community-based clinics through the provision of core operating support. These grants enabled clinics to strengthen their infrastructure by improving fundraising capacity, preparing business and strategic plans, increasing medical personnel, and improving administrative practices.

TCWF learned the following lessons from this grantmaking process:

- Grantees are not accustomed to core support grants, therefore it is important for the funder to explain the purpose of core support and explore the organizational challenges it might address through the grant.
- Grantees are worried about frank conversations with funders and believe that revealing organizational problems may result in the foundation not providing funding.
- Rural grantees have particular difficulty in recruiting and retraining personnel.
- Flexibility is important and funders must be willing to work with grantees if the organization is unable to meet their original objectives.
- Taking risks can result in greater returns.
- Small grants can make a difference.

In addition, the foundation funded several of the state's clinic consortia to help these groups and their member clinics develop the infrastructure necessary to compete in a managed care environment. Consortia used the core support grants to strengthen their advocacy capacity, improve technical assistance to the membership, develop shared services, strengthen development programs, and support clinic memberships.

Several lessons learned from this grantmaking process include:

- All consortia go through an evolutionary process.
- Consortia play a vital role in strengthening their member clinics.
- Disseminating funds through the consortia helps to enhance the value of the association to its member clinics.
- Consortia advocacy efforts are critical to long-term sustainability of the safety net.

The full text can be accessed via the following link:
http://www.tcwf.org/pdf_docs/reflections/sept2003.pdf

In Search of Impact: Practices and Perceptions in Foundations' Provision of Program and Operating Grants to Nonprofits
Judy Huang, Phil Buchanan, Ellie Buteau
The Center for Effective Philanthropy, December 2006

Advocacy for increased foundation support of operating costs runs counter to the historical practices of many charitable foundations, which have tended to provide program-restricted support due to their belief that it is only through this support that they can track their grant dollars and connect their funding to the achievement of specific goals. The Center for Effective Philanthropy (CEP) conducted a study to explore what is actually occurring in this arena today, including analysis of 20,000 grantee surveys of 163 foundations, a survey of foundation CEOs, and interviews with leaders of 26 grant-receiving nonprofits.

Foundation CEO Perspective
Today, foundations predominately provide restricted, small and short-term grants. Half of the CEOs surveyed prefer to provide program support and one third indicate no preference. The reasons given for the program support preference include: ease of assessing outcomes; board pressure; fit with foundation mission; lack of familiarity with grantees; and concerns about grantee dependence. For those who had no preference, reasons include: the need to determine support type on a case by case level; and ensuring that a grantee's goals are aligned with the foundation's goals. For those who had a preference for operating support, reasons include the desire to be responsive to grantees' needs (i.e. one "can't have strong programs in weak organizations") and the belief that it is possible to assess organizational success.

In general, all agree that operating support helps grantees by improving the sustainability of grantee organizations. However, support is provided based on other goals (i.e., accountability and grantee independence) that are seen as more effectively met with program support.

Grantee Perspective
An analysis of responses from grantees indicates some differences, though their statistical significance was modest:

- Operating support recipients receive less monetary assistance from foundations.
- Operating support recipients spend less time on foundation administrative requirements.
- Program support recipients have a shorter history of support from foundations and are more frequently asked to modify their goals.
- Operating support recipients rate foundations' impact only slightly less than program support recipients.

Larger differences are not seen because other dimensions of the grantee-foundation relationship are deemed by grantees to be more important, such as quality of interactions, clarity of communications, expertise, and an external orientation of foundations. However, when the size and duration of grants are factored in, operating support grants tend to be rated more favorably when they are larger and longer term. Yet, CEOs do not typically factor size and duration into their decisions about type of support.

The full text can be accessed via the following link:
http://www.effectivephilanthropy.org/images/pdfs/CEP_In_Search_of_Impact.pdf

GEO Action Guide: General Operating Support
Grantmakers for Effective Organizations
July 2007

In July 2007, Grantmakers for Effective Organizations released the following action guide in order to help grantmakers in their decision to provide general operating support to grantees. The report draws upon the existing literature on operating support, interviews with grantmakers (executive directors and staff), nonprofit executives, and academics studying philanthropy in order to argue the case for operating support as opposed to program specific support.

Argument for Operating Support
Operating support provides the overhead that nonprofits need to build capacity and a stronger organization. Nonprofits are typically underfunded in terms of overhead costs, and without adequate infrastructure organizations cannot run effective programs. Operating support also increases an organization's ability to focus on its mission rather than design programs that are perceived as being fundable. It enables nonprofits to take advantage of new opportunities and challenges and brings transparency and trust to the relationship between grantmaker and grantee.

Challenges
Traditionally, grantmakers and their boards have preferred program support above operating support because it is easier to connect to performance and impact. Furthermore, overhead has become a proxy for effectiveness, and nonprofits are rewarded with grants by reducing overhead costs. As a result, nonprofits typically underestimate overhead costs associated with programs when applying for grants. Moreover, no standard formula exists for calculating overhead costs and instead arbitrary percentages are used. The report cites a study that shows nonprofits lack the systems to track whether a cost is for a program, administration, or fundraising.

When is operating support appropriate?
Some grantmakers have chosen only to offer operating support. These grants tend to be larger and longer-term, but as a result serve fewer grantees. Other grantmakers make the decision to fund operating costs on a case-by-case basis.

Grantmakers should consider the following in their decision to offer general operating support.

- Alignment of the goals of the nonprofit with their own.
- Prior success of the organization and impact on its constituency.
- Confidence in organization leadership and systems.
- Relationship between the grantee and the grantmaker.

The full text can be accessed via the following link:
http://www.geofunders.org/generaloperatingsupport.aspx

"The Nonprofit Starvation Cycle"
Ann Goggins Gregory & Don Howard
***Stanford Social Innovation Review*, Fall 2009**

Gregory and Howard argue that a vicious cycle of unrealistic expectations and misrepresentations of costs on the part of nonprofits has created a situation in which many nonprofits lack the financial resources necessary to pay for essential infrastructure and well-trained personnel. The nonprofit starvation cycle is the result of deeply ingrained behaviors that will be difficult to break. The cycle is very likely to continue given the current recession and the increased pressure to appear efficient in order to remain competitive for grant funding.

The authors stress that while both sides of the relationship bear responsibility, they feel that the starvation cycle begins with unrealistic expectations about how much overhead is required to properly operate a successful nonprofit. The result is that nonprofits then skimp on vital infrastructure and abuse discretionary accounting practices, which only feeds funders' skewed perceptions. Gregory and Howard also argue that the starvation cycle has "disastrous effects" on the nonprofit sector's ability to achieve its mission.

In addition, the researchers compared the overhead rates reported on tax filings by nonprofits and noted that more than a third reported no fundraising costs whatsoever, while one in eight reported no management and general expenses. The underreporting of costs becomes even more apparent when compared to for-profit industries, which have overhead rates of 25 percent of total expenses on average. The impact of this cycle is also reflected in attitudes of the general public. A study by the Better Business Bureau's Wise Giving Alliance showed that the general public ranked overhead ratios and financial transparency as more important than the success of the organization's programs in determining their willingness to give. The cycle is exacerbated by that fact that many grants set limits on overhead expenditures so low that reimbursements do not even cover the cost of administering the grants themselves.

Gregory and Howard's principal recommendation is that funders take the lead and require accurate representations of overhead costs on the part of grant recipients. Funders must initiate this process because the power dynamics between funders and grantees make it difficult, if not impossible, for nonprofits to address the cycle themselves. Furthermore, if recipients initiate the discussion about the real infrastructure costs, they run the risk that other organizations will not follow suit and that they will be punished for more accurately reporting their cost structures. The authors also suggest that funders encourage the development of more unified standards in defining what constitutes overhead.

Full text can be accessed via the following link:
http://www.ssireview.org/images/articles/2009FA_feature_Gregory_Howard.pdf

Foundation/Grantee Relationship

Listening to Grantees: What Nonprofits Value in their Foundation Funders
The Center for Effective Philanthropy, April 2004

Foundation Communications: The Grantee Perspective
Judy Huang
The Center for Effective Philanthropy, February 2006

Listen, Learn, Lead: Grantmaker Practices that Support Nonprofit Results
Grantmakers for Effective Organizations, December 2006

"Luck of the Draw"
Kevin Bolduc, Phil Buchanan, and Ellie Buteau
Stanford Social Innovation Review, Spring 2007

Listening to Grantees: What Nonprofits Value in their Foundation Funders
The Center for Effective Philanthropy, April 2004

CEP analyzed responses from 3,200 grantees of 30 large foundations to better understand what grantees value in their relationships with their foundation funders. The results indicate that grantee perceptions are generally positive. However, three factors best predict variation in grantee satisfaction and foundation impact:

Quality of interactions with foundation staff: fairness, responsiveness, approachability.
Clarity of communication of a foundation's goals and strategy: clear and consistent articulation of objectives.

Expertise and external orientation of the foundation: understanding of fields and communities of funding and ability to advance knowledge and affect public policy.

The size and duration of grants, type of support, and non-monetary assistance were not as significant drivers of grantees' overall views.

Recommendations for foundations to strengthen their relationships with nonprofit grantees, whom they rely on to advance their agendas, include:

- Making administrative investments in quality interactions, communications, and external orientation.
- Supporting the development of specific expertise among program and staff.
- Aligning operations that increase program officer ability to concentrate on the three key dimensions listed above.
- Maintaining a consistent focus and direction.
- Ensuring consistency of policy and communications.
- Communicating clearly, consistently, and accessibly.
- Providing timely feedback.
- Seeking out comparative, confidential grantee perspectives.

The full text can be accessed via the following link:
http://www.effectivephilanthropy.org/images/pdfs/ListeningToGrantees_reprint.pdf

Foundation Communications: The Grantee Perspective
Judy Huang
The Center for Effective Philanthropy, February 2006

The challenge of foundation communications with grantees is complicated by the vast power differential: foundations have money, grantees need money. Clarity of communication is a key dimension that contributes to grantees' perceptions of satisfaction with foundations, as well as to perceptions of foundations' impact. Survey responses from 17,000 grantees of 142 foundations over the period 2003-2005 indicate that a more holistic approach to communications is valuable.

The three keys to effective communication of foundation goals and strategies are:

- Ensuring *consistency* among communications resources (i.e. personal and in writing, including electronic).
- Maintaining *high quality interactions*, focusing especially on the responsiveness of foundation staff.
- Implementing selection and *reporting/evaluation processes that are helpful* to grantees.

Because grantees are typically a foundation's chosen agents of change, the better a foundation can communicate its goals and strategy, the greater impact a foundation can have. Foundations can consider the following steps to improve communications:

- Conduct an audit of communication resources, and if necessary, revise goals to ensure alignment.
- Implement a regularly scheduled formal review process of communication resources.
- Establish and communicate common standards for program officers.
- Assess workload to allow for high quality staff interactions with grantees.
- Ensure that reporting/evaluation processes reinforce foundation goals.
- Make clear to grantees how the grant process will unfold and what reports will be required throughout the process.
- Be proactive and transparent in communicating changes that will affect grantees.

The two essential communication resources that are most valued by grantees to shape their understanding of foundations' goals and strategy are *individual communications* and *funding guidelines*. Foundations can consider the following to provide what grantees value most:

- Conduct pre-application conversations with nonprofits.
- Share individual communication practices internally and train staff in pre-application conversations.
- Ensure that funding guidelines reflect the foundation's current goals and strategy.
- Create highly detailed funding guidelines that are also available on the Web (which can serve to reduce the time spent on unproductive interactions with prospective applicants who have little chance of success).

Grantees that understand clearly what their funders seek to achieve will have a much better chance of helping them do so.

The full text can be accessed via the following link:
http://www.effectivephilanthropy.org/images/pdfs/CEP_Foundation_Communications.pdf
Listen, Learn, Lead: Grantmaker Practices that Support Nonprofit Results

A Report on Phase 1 of GEO's Change Agent Project
Grantmakers for Effective Organizations, December 2006

GEO conducted nine focus groups and 30 interviews with nonprofits and grantmakers to identify the most promising opportunities for grantmakers to make changes that will contribute to better nonprofit results. The barriers to improved foundation-grantee communications are not new, but they have received new attention due to increased demands for accountability and transparency, growth and diversity of foundations, and government actions that leave the nonprofit sector increasingly responsible for addressing complex social challenges.

This study indicates that foundations are not sufficiently committed to listening and engaging with nonprofits and should make the "community voice" an important influence in their work. In addition, foundations should also invest in grantee feedback opportunities to bridge the power differential. A commitment to continuous improvement requires that foundations adopt the same accountability and transparency mechanisms they often demand of their grantees. Playing a convening role and designing solutions with stakeholders will get better results.

Because nonprofits and grantmakers fundamentally see the world differently, it is essential to develop good listening skills and build a relationship that is independent of decisions about funding. The role of program officers, coupled with internal foundation dynamics and time pressures, inhibit productive relationships with grantees. Therefore a shift is necessary to a focused, long-term strategy that emphasizes accumulated learning and efforts to see things from the grantees' point of view. Furthermore, if grantmakers are concerned about nonprofit capacity, they should provide more capacity-building and leadership support, such as resources for mentors, coaching, training, and professional development.

The full text can be accessed via the following link:
http://www.geofunders.org/changeagentproject.aspx

"Luck of the Draw"
Kevin Bolduc, Phil Buchanan, and Ellie Buteau
***Stanford Social Innovation Review*, Spring 2007**

This article highlights a key lesson the Center for Effective Philanthropy has learned from the numerous grantee perception surveys it has conducted in recent years: the program officer is the face of the foundation, and that he/she has a greater impact on grantee perceptions than the size or length of a grant or a foundation's mission, strategy, or initiatives.

Grantees value: 1) fair and responsive interactions with the program officer; 2) clarity of communicating foundation goals and strategies; and 3) application of foundation expertise to advance knowledge. Interestingly, the surveys indicate that there is considerable variation in the grantee perceptions of program officers in the same foundations – mediocre, good, and great program officers exist side by side in the same organization. This suggests that foundations should focus more attention on ensuring a better and more consistent performance from their program staff.

The full text can be accessed via the following link:
http://www.ssireview.org/articles/entry/luck_of_the_draw/

Investment Approaches

Compounding Impact: Mission Investing by U.S. Foundations
Sarah Cooch and Mark Kramer
Foundation Strategy Group, March 2007

New Frontiers in Mission-Related Investing
The F.B. Heron Foundation 2005

"The Power of Strategic Mission Investing"
Mark R. Kramer & Sarah E. Cooch
Stanford Social Innovation Review, Fall 2007

A Brief Guide to the Law of Mission Investing for U.S.
Mark Kramer & Anne Stetson
FSG Social Impact Advisors, October 2008

Compounding Impact: Mission Investing by U.S. Foundations
Sarah Cooch and Mark Kramer
FSG Social Impact Advisors, March 2007

FSG Social Impact Advisors argues that if foundations are to achieve their goals, they must find innovative tools to complement their traditional grantmaking. One tool is mission investing, which is the practice of using financial investments as tools to achieve a foundation's mission.

Mission investing is a more specific type of social investing – the broader approach of considering social and environmental factors, whether or not they are related to mission, in investment decisions. Foundations have three primary motivations for mission investing: 1) recovering philanthropic funds for future use; 2) achieving social benefits in ways that grants cannot; and 3) aligning assets with the foundation's mission. Mission investments can be funded by either program or endowment funds.

Mission investing is gaining momentum among U.S. foundations. Recently, the use of mission investments, including program-related investments (PRIs), has been expanding rapidly. Over the past decade, the number of foundations engaging in mission investing has doubled, and the new funds invested annually have tripled. Once largely restricted to low-interest loans, mission investments now span a wide spectrum of investments.

Mission investments can be grouped into two broad categories: Market-rate, which seek financial returns approximating those of similar investments made without regard to social or environmental concerns; and Below Market-rate, which are made when foundations seek to use excess funds for charitable goals rather than building the corpus.

Foundations can take three approaches to mission investing: 1) *screening*, which uses social or environmental criteria to align its investments with its mission; 2) *shareholder advocacy and proxy voting*, which seeks to influence a corporation's behavior on issues relevant to the foundation's mission; and 3) *proactive mission investing*, in which a foundation invests in either for-profit or nonprofit enterprises with the intent of both achieving mission-related objectives and earning financial returns.

Very few foundations have complete, accessible records of the financial performance of their mission investment portfolios, and even fewer foundations have attempted to measure the social impact of their mission investments. However, FSG was able to discern that of the foundations that made loans over the past 40 years, 75% achieved a zero default rate. To date, mission investments have focused on: Economic Development, Housing, Education, and Environment.

Foundations of all sizes are increasingly comfortable incorporating mission investments in their strategies. However, FSG argues that continued expansion and maturation of mission investing will require a greater understanding of mission investing among foundation staff and boards, a more robust marketplace for mission investment, and improved mission investment performance measurement and information sharing.

The full text can be accessed via the following link:
http://www.fsg-impact.org/images/upload/Compounding%20Impact(3).pdf

New Frontiers in Mission-Related Investing
The F.B. Heron Foundation 2004

Several years ago, the Board of the F.B. Heron Foundation was considering how best to use the foundation's assets to promote its mission of helping low-income people and communities build assets and create wealth, and it asked itself the following question: "Should a private foundation be more than a private investment company that uses some of its excess cash flow for charitable purposes?"

The issue for the F.B. Heron Foundation is not whether private philanthropy has done well, but whether it can do better. Specifically, the foundation wants to know if it can make investments from its endowment that support its mission without jeopardizing the value of its endowment and, consequently, its ability to support that mission in the future. And, can its investments increase the impact of its work, its express reason for being, thereby increasing the *total return* to its current and future beneficiaries.

The largest challenge the foundation faced in its mission-related investments was whether there were sufficient investment opportunities aligned with its mission to justify its exploration. While the foundation was doubtful in the beginning, today the answer is clearer: in the field of community development there are a variety of good investment opportunities across asset classes. By the end of 2003, mission-related investments and commitments comprised 19% of the foundation's endowment.

Mission-related investments helped the foundation increase the number of tools in its philanthropic "toolbox." Today, that toolbox includes grants, insured and uninsured deposits, senior and subordinated loans, guarantees, fixed income securities, and private equity. Some offer below-market returns (program-related investments), but most offer risk-adjusted market rates of return. Foundation staff is challenged to work with nonprofit and for-profit groups to consider what tool or tools permit a group to maximize its impact consistent with the foundation's wealth-creation strategies, return expectations, and risk parameters.

Naturally, the foundation was forced to consider financial return and risk. As a result, it has established performance benchmarks for each asset class in its mission-related portfolio.

Finally, the foundation has worked to bring an investment discipline to all aspects of its work. This has meant significant training and development for both its program and investment staff. It has also meant the creation of new networks of third-party due diligence providers and investment advisors, and heightened engagement and learning for its Board and Investment Committee.

The full text can be accessed via the following link:
http://www.fbheron.org/documents/ar.2003.viewbook_new_frontiers.pdf

"The Power of Strategic Mission Investing"
Mark R. Kramer & Sarah E. Cooch
***Stanford Social Innovation Review*, Fall 2007**

This article discusses ways in which foundations can be more strategic in their mission investing, selecting investments that directly advance their core missions, align their investments with their grantmaking, and leverage market forces to achieve large-scale social change. Just as corporations are increasingly aligning grantmaking with their parent companies' overall business strategy, so too must private foundations. For example, foundations concerned about global warming should not give grants to environmental nonprofits as well as invest in venture capital funds for clean energy start-ups, finance energy-efficient retrofitting of commercial properties, and buy municipal bonds that fund mass transit systems.

Adopting a strategic mission investing approach, however, is not easy. Foundations must make fundamental shifts in how they operate. They must study how the flow of capital affects the social issues that they address. They must integrate their grantmaking and investing operations, building systems that report simultaneously on social and financial returns. And, they must impose financial discipline on grantees that receive investments, and even reach out beyond the nonprofit universe to work with a new set of partners in the commercial sector.

A study of 92 U.S. foundations, undertaken by the authors, revealed that very few foundations are using their endowments in this holistic manner, although their numbers are growing. The majority of private foundations' mission investing has been concentrated in program-related investments (PRIs) and focused on four issue areas: economic development, housing, education, and environment.

Among the reasons that foundations are not pursuing mission investing with the same degree of vigor and imagination as they are pursuing unconventional investments like hedge funds and private equity are the lack of staff with the combination of program and financial experience that is necessary for finding and managing mission investments, and the associated the compensation incentives for those who do manage a foundation's investments are based solely on financial returns, not social returns.

As foundations create a demand for mission investments, a more robust set of investment options will be developed. This will make mission investing easier, encouraging more foundations to enter into the practice. At the same time, as mission investing becomes more mainstream, foundations will attract staff and develop the internal processes necessary to support it.

The article can be found at:
http://www.ssireview.org/images/articles/2007FA_feature_kramer_cooch.pdf

The full report upon which this article is based, "Compounding Impact: Mission Investing by US Foundations," can be found at: http://www.fsg.org

A Brief Guide to the Law of Mission Investing for U.S. Foundations
Mark Kramer & Anne Stetson
FSG Social Impact Advisors, October 2008

While most foundations separate their grantmaking and investment functions, new opportunities have emerged to leverage investments across different asset classes to achieve mission related objectives. Foundations that wish to engage in "mission investing" can now do so in three ways:

- *Proxy voting:* Foundations can influence corporate conduct by voting their shares of stock on corporate resolutions that further their charitable priorities.
- *Screening:* Often referred to as "socially responsible investing," foundations can screen their investment portfolios either to exclude securities of companies that engage in objectionable behaviors (such as tobacco companies), or to include companies that engage in desirable behaviors (such as alternative energy companies).
- *Proactive investments:* Foundations can make investments in for-profit or nonprofit organizations, such as investments in affordable housing, microfinance institutions, or the development of therapeutic drugs. They may invest directly in these organizations or through intermediaries that aggregate social investment opportunities such as loan funds. These investments can offer either market-rate financial returns or below-market returns, sometimes referred to respectively as "mission related investments" and "program-related investments."

This report provides foundation leaders with a non-technical overview of the current state of the law. Furthermore, it is intended to help trustees of U.S. foundations understand the extent to which the law permits them to engage in these three types of mission investments, where the choice of investment is driven partly or entirely by the desired social impact rather than limited to the conventional analysis of financial risk and return. The report notes that trustees of U.S. foundations have considerable freedom to make investments that further their mission, even if this results in greater risk or lower return.

They note that the requirements of the law will be met if:

- The investment genuinely serves the foundation's charitable objectives and is made with due care and loyalty;
- The donor's written intent is clear that the assets need not be preserved permanently, or that the foundation may consider social and environmental issues in making investment decisions; and
- The mission investment earns a risk adjusted market rate of return, or is at least anticipated to keep up with inflation. (Even if the mission investment generates a rate of return below a risk adjusted market rate, there are still conditions under which this would still be legal, notably that the investment furthers the charitable purpose of the foundation).

The full report can be found at: http://www.fsg.org

Disaster Relief & Recovery

After Katrina: Public Expectation and Charities' Response
Center on Nonprofits and Philanthropy, the Urban Institute
Hauser Center for Nonprofit Organizations of Harvard University, December 2005

After Katrina: Shared Challenges for Rebuilding Communities, "Preparing for the Next Disaster"
Carol J. De Vita
Louisiana Association of Nonprofit Organizations
The Urban Institute, November 2006

Philanthropic Grantmaking for Disaster Management: Trend Analysis and Recommended Improvements
Susan Forbes Martin, Patricia Weiss Fagen, Alice Poole and Sabrina Karim
Institute for the Study of International Migration
Georgetown University, July 2006

Weathering the Storm: The Role of Local Nonprofits in the Hurricane Katrina Relief Effort
Tony Pipa
Nonprofit Sector Research Fund, the Aspen Institute, June 2006

Disaster Grantmaking: A Practical Guide for Foundations and Corporations
European Foundation Centre and the Council on Foundations
Second Edition, April 2007

After Katrina: Public Expectation and Charities' Response
Center on Nonprofits and Philanthropy, the Urban Institute
Hauser Center for Nonprofit Organizations of Harvard University
December 2005

The essays in this collection document some of the conversations that took place at the 14th Emerging Issues in Philanthropy Seminar in 2005, sponsored by the Center on Nonprofits and Philanthropy at the Urban Institute and the Hauser Center for Nonprofit Organizations at Harvard University. The seminar was organized around four themes: expectations of the charitable sector; capacity of the sector; lessons from September 11th, the Asian tsunami, and Hurricanes Katrina and Rita; and aligning myths with realities.

"Charities' Response to Disasters: Expectations and Realities"
Marion Fremont-Smith, Elizabeth T. Boris, and C. Eugene Steuerle
There is a need to convey a clearer understanding to the public of what the charitable sector can accomplish to alleviate the effects of disasters. Ideally, the nonprofit sector should complement government and private efforts rather than coordinate large-scale disaster response.

"Rebuilding Social Welfare Services after Katrina: Challenges and Opportunities"
Steven Rathgeb Smith
In order to meet the demand for longer-term services post-disaster, government should consider creative ways to encourage rebuilding efforts and to provide guidance by way of monitoring and regulating effective services. Both secular and faith-based charities can benefit from collaboration with one another while social welfare agencies can benefit from partnering with local churches given their expertise in the local community. Foundations can engage in the policy process by contributing to agenda setting and problem solving.

"Observations on Charities' Response to Hurricanes Katrina and Rita"
Cynthia M. Fagnoni
Testimony of the Government Accountability Office (GAO) before the House Ways and Means Oversight Subcommittee on December 13, 2005 is discussed in this essay. While charities operating in the Gulf Coast region took steps to improve coordination between one another and the federal government, they experienced some communication challenges stemming from nascent technology systems. Charities also struggled to find a balance between providing access to services and the safety concerns presented by the disaster to both providers and victims. As a result, some apprehensions have been raised about local organizations' ability to provide adequate services to victims.

"Nonprofits and Disaster: The Experience of New York State on September 11, 2001"
Karin Kunstler Goldman
In response to major disasters, charitable regulators are forced to adapt in order to address the magnitude of new relief and fundraising organizations. Following the 9/11 attacks, Eliot Spitzer, then Attorney General of New York, encouraged relief organizations to provide additional financial information to contributors and coordinate their efforts by creating a shared database. Further, the Internal Revenue Service (IRS) expedited the review and approval process for disaster relief organizations seeking tax exemption and worked with New York State to help new organizations comply with state registration requirements.

"Disasters and the Voluntary Sector: Reflections on the Social Response to Hurricane Katrina"
Mark H. Moore
The public's perception of the role the voluntary sector plays in disaster relief and recovery is unrealistic. In order to develop a more realistic set of expectations, it is necessary for society to understand the substantial overhead costs associated with distributing resources, and the effect donor intent can have on the equitable and efficient distribution of resources. In addition, the voluntary sector must clarify to whom they are responsible in disaster situations, and acknowledge the private sector's role, particularly the insurance market's ability to respond to individuals' need for protection.

The full text can be accessed via the following link:
http://www.urban.org/UploadedPDF/311331_after_katrina.pdf

After Katrina: Shared Challenges for Rebuilding Communities, Preparing for the Next Disaster

Carol J. De Vita
Louisiana Association of Nonprofit Organizations
The Urban Institute, November 2006

The following article is from a series of essays compiled after *Translating Research into Action: Nonprofits and the Renaissance of New Orleans*, a conference sponsored by the Louisiana Association of Nonprofit Organizations (LANO) and the Urban Institute on November 3, 2006. The conference convened local nonprofit and community leaders, government officials and research experts in order to discuss the rebuilding effort in New Orleans.

When the magnitude of Hurricane Katrina overwhelmed the existing disaster response plan issued by the U.S. Department of Homeland Security, local community groups and faith-based organizations converged to help fill the gap in relief. One of the main challenges to providing relief was coordinating service delivery with FEMA and the American Red Cross. "Preparing for the Next Disaster" explores how local nonprofits can coordinate relief efforts with responders in the disaster preparedness system. The article further provides recommendations in two broad areas:

Improving Coordination among Nonprofits and with Government
Many of the nonprofits participating in disaster relief for the first time were isolated from one another and from the larger government agencies overseeing the effort. Government officials also had little experience working with these community-based organizations. The resulting lack of coordination impeded recovery efforts. Steps to improve coordination among relief and recovery providers include building a collaborative network of partners prior to the crisis, and utilizing the international model of service delivery that draws on the strengths of the local knowledge of community nonprofits.

Building Capacity of Responding Agencies
By studying communities that recently responded to major disasters (Oklahoma City, San Francisco, New York and Washington D.C.), four components – information, training, written agreements and plans, and strong organizational structures – are identified that need to be considered in developing an effective response system. Specific recommendations are offered with regard to each of the four components.

The full text can be accessed via the following link:
http://www.urban.org/UploadedPDF/311440_After_Katrina.pdf

Philanthropic Grantmaking for Disaster Management: Trend Analysis and Recommended Improvements

Susan Forbes Martin, Patricia Weiss Fagen, Alice Poole, and Sabrina Karim
Institute for the Study of International Migration
Georgetown University, July 2006

In 2006, the Institute for the Study of International Migration at Georgetown University, gathered information on grantmaking related to natural disasters and humanitarian emergencies. While the examination investigates disasters and emergencies over the past decade, the report primarily focuses on the years following September 11, 2001. The methodology includes over 30 interviews and data collection on various types of disasters in America and abroad. Key findings are discussed along with recommendations for improving funding of disaster relief, management, prevention, and mitigation.

Key Findings

- Foundation funding has great value over government and individual donations in the post-disaster environment for its speed, access to decision-makers, lighter bureaucracy and reporting requirements, and provision of multi-year funding.
- Disaster funding is not a key part of a foundation's philanthropic activity and therefore decisions are likely to be ad-hoc and based on existing relationships with NGOs.
- Emergency relief is the primary grantmaker's priority while disaster prevention, mitigation and emergency preparedness are under-funded despite cost-benefit analyses that show disaster prevention to be cost effective.
- Donors do not view monitoring and evaluation as important where disaster relief funding is concerned.
- Exchange of information and collaboration on disaster relief is evident between corporations and foundations, however, grant recipients do not collaborate with one another.

Recommendations

- Adopt a comprehensive approach to disaster grantmaking with a focus on prevention, response and recovery.
- Support capacity building of humanitarian and development organizations.
- Encourage collaboration among grantees and build on existing collaborations to broaden scope.
- Expand disaster grantmaking to include complex humanitarian emergencies.
- Adopt more transparent mechanisms to identify and assess potential grantees.
- Develop donor knowledge and capacity about disaster management priorities and capabilities.
- Support research, monitoring, and evaluation to improve disaster management.

The full text can be accessed via the following link:
http://www.ncg.org/assets/DisasterResponsefromGates.pdf

Weathering the Storm: The Role of Local Nonprofits in the Hurricane Katrina Relief Effort
Tony Pipa
Nonprofit Sector Research Fund, the Aspen Institute
June 2006

Following Hurricane Katrina, the media focused primarily on the response efforts of FEMA and the American Red Cross and overlooked the response efforts of the local nonprofit sector. The Nonprofit Sector and Philanthropy Program of the Aspen Institute commissioned Tony Pipa, a foundation executive working on relief efforts in New Orleans following Hurricane Katrina, to interview key stakeholders, analyze their responses, provide recommendations to improve coordination and funding efforts at the local level.

Key Findings

Local nonprofits and religious organizations in Louisiana and Mississippi contributed greatly in the aftermath of Hurricanes Katrina and Rita. Many were offering disaster relief for the first time and all increased the scope of their human services, at times sheltering as many victims as the American Red Cross. However, no effective coordinating structure existed to integrate their efforts. Compared to national organizations, local organizations had little access to funding from individual donors outside the Gulf Coast. However, local foundations adapted creatively to support local charities in their relief efforts. Political figures also helped to facilitate private philanthropy with the creation of three state funds and the Bush-Clinton Katrina Fund.

Recommendations for Policymakers

- Develop a high-level coordinating body.
- Develop a commission to glean lessons learned.
- Increase preparedness funding to include local nonprofits and faith-based groups.
- Expand and develop FEMA Voluntary Agency Liaison position.
- Create more flexible funding sources designed to support charitable organizations.
- Create a congressional designation that mandates the American Red Cross contribute at least 5 percent of its overall fundraising to local nonprofits and faith-based groups via local grantmaking intermediaries (to be invoked during "exceptional" disasters).

Recommendations for Foundations and Corporate Donors

- Plan for quicker response to catastrophic events.
- Donors from outside the affected area should partner with local re-granting intermediaries to offer leadership.
- Send loaned executives to affected areas.

The full text can be accessed via the following link:
http://www.nonprofitresearch.org/newsletter1525/newsletter_show.htm?doc_id=377736

Disaster Grantmaking: A Practical Guide for Foundations and Corporations
European Foundation Centre and the Council on Foundations
Second Edition, April 2007

This guide offers lessons learned from a year-long study consisting of a series of meetings, surveys and discussions with disaster experts from around the world. Results from the study conducted by the European Foundation Centre and the Council on Foundations were presented in June 2001. It outlines eight principles foundations and corporate grantmakers should follow in order to make a significant contribution to disaster relief. The second edition offers updated facts and examples of recent disasters along with a list of relief organizations.

Eight Principles

1. Do no harm – make sure your grant contributes to the solution; the wrong type of assistance can harm already over-taxed service delivery systems.
2. Stop, look and listen before taking action – every disaster is unique; take the time to understand the situation so you know how best to respond.
3. Do not act in isolation – collaboration ensures efforts are not duplicated and the high priority areas are addressed first.
4. Think beyond the immediate crisis to the long term – consider funding disaster preparation or long-term development following the crisis.
5. Bear in mind the expertise of local organizations – they best understand the needs of the affected community but often lack capacity; partnerships can be mutually beneficial.
6. Find out how prospective grantees operate – understand their approach, some support relief efforts while others promote recovery and long-term development.
7. Involve grantees in assessing the social impact of disaster grants.
8. Communicate your work widely and use it as an educational tool – share your experiences and lessons learned internally and externally to promote responsible disaster grantmaking.

In the past fifty years disaster grantmaking has seen a trend from quick disaster relief toward integrating disaster prevention with long-term development. The report offers nine tips for good disaster grantmaking practices.

Nine Tips

1. Develop an internal plan for handling disaster grant requests.
2. Understand the situation before responding to the disaster.
3. Think about when to make a disaster grant; consider funding disaster prevention.
4. Consider specific needs of grantees when providing goods and services versus cash assistance.
5. Look at the entire disaster management picture and identify places to fill in gaps between disaster relief and long-term development that should be addressed.
6. Consider various options when choosing a grantee.
7. Coordinate disaster grants with other organizations.
8. Monitor and evaluate disaster grants and make reporting requirements clear to grantee.
9. Enhance understanding of disaster grantmaking by educating your board, employees, donors and the media on your efforts.

The full text can be accessed via the following link:
http://www.cof.org/files/Documents/International_Programs/disasterguide.pdf

Government-Philanthropic Partnerships

Too Close for Comfort? Obama and the Foundations (Edited transcript)
Bradley Center for Philanthropy and Civic Renewal, Hudson Institute, February 23, 2010

Working with Government: Guidance for Grantmakers
GrantCraft, 2010

Too Close for Comfort? Obama and the Foundations **(Edited transcript)**
Bradley Center for Philanthropy and Civic Renewal
Hudson Institute, February 23, 2010

With the growing interactions between foundations and government with the Obama administration, the Bradley Center organized a panel discussion concerning the benefits and drawbacks of a close relationship between the two sectors. Panelists included leaders with a variety of viewpoints: Gara LaMarche, Atlantic Philanthropies; Terry Mazany, Chicago Community Trust; Lewis Feldstein, New Hampshire Charitable Foundation; and Chester Finn, Thomas Fordham Foundation. A number of important arguments on each side of the issue emerged from the wide–ranging conversation.

The basic argument in favor of a partnership between philanthropy and the federal government is that both sectors have an interest in a range of issue areas and that there are gains to working together, in particular the ability of government to scale what philanthropy finds that works in the community. Proponents argue that such a close relationship is not necessarily inconsistent with the independence of foundations and their ability to scrutinize and criticize government. In fact, some took issue with the idea that foundations are suppose to be neutral and to hold government accountable. They also point out that foundations are too hesitant to engage directly with government or take part in public policy (to the extent allowed by law).

The main thrust of those who are concerned about the closeness of foundations with the Obama administration is that foundations will become too closely linked with government at a time when that is a crisis in the confidence in large institutions to solve problems. This is seen as jeopardizing the standing of the philanthropic sector and its independence from government. In addition, there is a worry a new model is being invented that with the public sector seeding foundations and nonprofits, and with it an "offloading" of responsibility from government to philanthropy, and philanthropy being seen ATM.

Full text can be accessed via the following link:
http://www.hudson.org/files/documents/BradleyCenter/Transcript_2010_02_23_Obama_and_Foundations.pdf

Working with Government: Guidance for Grantmakers
GrantCraft, *2010*

With collaboration between philanthropy and government on the upswing, this report provides an overview of the advantages and pitfalls of collaborating with government. It includes stories and case studies from partnerships involving foundations and government agencies at all levels as well as tips for maximizing the value of partnerships from government's point of view.

Collaborations are as unique as the parties involved. They can range from highly structured, multi- faceted initiatives to loose agreements to share information about common objectives. Decisions about what kind of partnership to undertake depend on the particular strategy, objectives, and goals being advanced, as well as on what the participants believe to be feasible. Generally, foundations partner with government in one of the following ways:

- *Teaming Up* – In this type of relationship, a foundation and government partner work directly together to develop and implement a project.

- *Working Through an Intermediary* – In this type of collaboration, a foundation and government agency work together through an organization that brings special expertise or the independence that comes from being a third party to an issue, project, or plan.

- *Exchange and Learning* **–** Another way to work with government is by supporting discussion or exchange that enables public officials to learn, plan, and make connections.

- *Supporting Civic Engagement* – In this role, a foundation serves less as a partner to government than as a facilitator between government and constituents in community problem solving.

A key to these government-philanthropic partnerships is good relationships. Unexpected twists and turns, arbitrary starts and stops, arcane bureaucracies, and ever-present (but often unacknowledged) issues of influence, loyalty, and public perception can leave grantmakers feeling disoriented. To help stay the course, grantmakers should be clear about why they are interested in partnering and realistic about the motivations and interests of their government partners.

For grantmakers interested in advancing systemic change or addressing root problems, working with government can be an important opportunity – even an essential one. But it can also mean venturing into territory where the rules are new and the power dynamics unfamiliar.

The full text of the report can be accessed via the following link:
http://www.grantcraft.org/index.cfm?fuseaction=Page.ViewPage&pageId=1547

Networks

What's Next for Philanthropy: Acting Bigger and Adapting Better in a Networked World
Katherine Fulton, Gabriel Kasper and Barbara Kibbe
Monitor Institute, July 2010

Catalyzing Networks for Social Change: A Funder's Guide
Diana Scearce
Monitor Institute and Grantmakers for Effective Organizations, 2011

What's Next for Philanthropy: Acting Bigger and Adapting Better in a Networked World
Katherine Fulton, Gabriel Kasper, Barbara Kibbe
Monitor Institute, July 2010

This report by the Monitor Institute is the culmination of a project to look at what the next decade could hold for philanthropy. While the cutting edge of philanthropic innovation over the last decade was mostly about improving organizational effectiveness, efficiency and responsiveness, the report argues that the work for the next 10 years will have to build on those efforts to include coordination and adaptation. The report also argues that the challenge and the opportunity for the next decade is to make it easier for individuals and independent institutions to choose what is best for the collective whole without setting aside their own goals and interests. The authors believe that this can happen primarily through three ways:

1. *New data and tools:* New connective technologies are the Trojan Horse of change in philanthropy and the social sector as a whole. The changes that have already shaken the media and music industries are now sweeping into and through the social change world. But it's still hard for philanthropy as a field to adopt and use new tools.

2. *New incentives:* Change in philanthropy may be facilitated by technology, but it's not ultimately a technical problem. It's a very human one. Nothing will change until people change.

3. *New leadership:* Neither new data, new tools, nor incentives will really matter without new leadership and the will to change. The best ideas and most thoroughly proven solutions will fall flat if they encounter a human system that is not ready to embrace them.

The report concludes by asking the question: What do philanthropic leaders need to do in order to be effective and to achieve their goals? They argue that leaders today have to be comfortable bridging boundaries of all kinds, especially across sectors. They have to be comfortable with technology and speed. They have to be skilled at listening, sharing control, and empowering others. And they must be comfortable with ambiguity. Because old models of hierarchical, heroic leadership that worked well in an organizational context don't fit today's more networked environment as well.

Full text can be accessed via the following link:
http://monitorinstitute.com/downloads/Whats_Next_for_Philanthropy.pdf

Catalyzing Networks for Social Change: A Funder's Guide
Diana Scearce
Monitor Institute and Grantmakers for Effective Organizations, 2011

Today, the complexity and scale of many social and environmental problems are growing and there is more opportunity for grantmakers to engage and connect using Web 2.0 technologies. Currently, philanthropists are operating in a rapidly changing, networked world where the pathways to effecting social change are far from straightforward. There is a growing imperative for funders to combine longstanding instincts toward independent initiative and action with an emerging network mindset and toolkit that helps them see their work as part of larger, more diverse and more powerful efforts. This guide helps grantmakers who are just beginning to explore and experiment with networks as well as those who are further along and want to reflect on their practice.

The first section of this guide looks at how these new tools and knowledge are amplifying the ways in which networks can help with complex social problem solving. The report discusses how grantmakers are harnessing the power of networks to achieve positive social benefits in five key ways: weaving social ties, accessing new and diverse perspectives, openly building and sharing knowledge, creating infrastructure for widespread engagement, and coordinating resources and action.

The next section discusses ways to work with a network mindset and provides three examples of how to do that: 1) operate with an awareness of the webs of relationships you are embedded in; 2) find conversations that are happening around issues you care about and actively participate in those conversations; and 3) act transparently by sharing what you are doing and learning along the way.

The following section discusses how funders can foster social networks and outlines five stages of a network's life cycle: know the network; knit the network; organize the network; grow the network; and transform or transition the network. The guide discusses specific investment opportunities and challenges at each stage of the cycle.

The final section discusses how foundations can assess and learn about network impact and outlines a number of starting points. Contributing to learning and evaluation in a network context means asking questions about what's working in partnership with others involved in the network, sharing what you're learning so that others can benefit, adapting your network in response to lessons learned, and then asking new and better questions.

The full report can be found at:
http://www.geofunders.org/storage/documents/Catalyzing_Networks_for_Social_Change_2011.pdf

Communications, Technology and Social Media

Come On In. The Water's Fine: An Exploration of Web 2.0 Technology and its Impact on Foundation Communications
David Brotherton & Cynthia Schneiderer
Brotherton Strategies, September 2008

Communicating for Impact: Strategies for Grantmakers
Grantcraft, 2009

Philanthropy and Social Media
Daisy Wakefield and Aphra Sklair
Institute for Philanthropy, September 2011

Foundation Communications Today: Findings from the 2011 Survey of Foundation Communications Professionals
The Communications Network, June 2011

Come On In. The Water's Fine: An Exploration of Web 2.0 Technology and its Emerging Impact on Foundation Communications

David Brotherton & Cynthia Schneiderer
Brotherton Strategies, September 2008

Foundations are beginning to embrace new communication tools – from interactive websites to podcasts to blogs and wikis to social networking applications. These tools and applications are extending and enhancing the ability of foundations to communicate more effectively with a wide range of stakeholders and constituencies. The old, tried and true methods of communication are giving way to new experimentation, greater openness and an understanding that the best communication is two-way or multi-directional.

Despite all of the opportunities that Web 2.0 tools have to offer, many foundations remain very skeptical of them. They are concerned that these new tools will cause them to lose control over the foundation's message or that they will open the flood gates of grant requests. Additionally, they worry that there is a steep learning curve and a large amount of work required to make their use relevant and effective, requiring additional staff time to keep up with a medium that runs around the clock.

Nevertheless, the report argues that if foundations want to sustain influence among key audiences, traditional communication methods will not suffice. If foundations do not adopt such methods, they cede online conversations and networking opportunities to others who may have less means, knowledge or experience. Foundation staff interviewed for this report felt that although there were risks and challenges associated with these new tools such as loss of message control were offset by the opportunity to engage audiences in new ways, with greater programmatic impact.

The report concludes with some tips and strategies for foundations that are ready to get started:

- *Assess your organization's appetite for innovation* – Identify support among leadership and program officers. Note where relevant online conversations are already taking place, with or without you.
- *Recognize and garner the resources required* – Assess current staff capacity and identify areas where training, realignment of priorities, or new positions may be needed.
- *Build internal allies* – Educate leadership on the organizational benefits of technological innovation, and the risks of inaction. Learn from other organizations that have been early movers.
- *Be strategic* – Don't lead with the tool. Start with the foundation's goals and priorities. Choose a Web 2.0 technology or tool only if it will help you tell the story you are trying to tell.

The full report can be found at:
http://www.comnetwork.org/resources/brotherton_new_media_091608.pdf

Communicating for Impact: Strategies for Grantmakers
Grantcraft, 2009

While communications used to be seen as synonymous with publicity, increasingly, communications is seen as a fully integrated part of grantmaking strategy. This report examines how foundations can use communications to advance their programmatic and operational goals. It details what is involved in developing a strategy, structuring a program, managing relationships, using new media, and evaluating communications activities. Furthermore, it underscores the need for all grantmakers – large or small – to develop effective communication methods in order to advance their own programs and the work of their grantees by connecting them with other organizations, community and government leaders, the press, other funders and key constituencies.

- *Using a Communications Lens* – Grantmakers must use a communications lens to ask: What do we want to achieve? Who needs to be onboard? And how best do we reach them? These questions can also help funders and grantees connect with audiences, broaden the base of participation on an issue and link program design with outcomes. Four case studies are presented to show how communications can help grantees achieve their goals.

- *Relationships and Roles* – While effective communication is critical to achieving programmatic goals, it is critical to understand and respect the role and responsibilities of those involved, whether working with your grantees, others within the foundation, or your colleagues in other foundations.

- *New Media and Bottom-up Communications* – New technologies are driving change. Grantmakers should take the time to learn about social media and other nontraditional communication outlets in order to enhance their communication with the philanthropic community and other constituencies as communications become not about communicating to but community with and among.

- *Evaluating Communications* – It is important to evaluate the scope and quality of communications work even though it is difficult to assess causation. But, grantmakers should regularly assess how it contributes to overall program outcomes and learn how to do what you are doing better. Additionally, grantmakers should look at their relationships, and whether their communications work is helping them to build stronger networks and better-informed constituencies.

The full report can be found at: www.grantcraft.org

Philanthropy and Social Media
Daisy Wakefield and Aphra Sklair
Institute for Philanthropy
September 2011

Social media, unlike previous media channels, are widely accessible and affordable and provide direct access to information and conversations with other individuals and organizations. The ability to tap into the new social media networks, to contribute to their creation, and to harness their reach and their capabilities creates opportunities for socially minded organizations, including nonprofits and grantmakers. This report provides an introduction to social media for philanthropists and philanthropic organizations interested in the potential of these tools for achieving social impact.

Section 1 outlines the eight objectives for utilizing social media in the context of social change: communicating messages; knowledge sharing and reporting; overcoming barriers to inclusion; connecting people; improving service delivery; scaling fast; fundraising; and transparency and accountability.

In Section 2, the objectives and strategies for using social media of seven philanthropic organizations are detailed. Several themes emerge from these cases:

- Social change happens offline and online.
- Listen to what the community wants and needs.
- Set out clear objectives at the start, but be open to new opportunities as you learn about community wants and needs.
- Not every social media project will work perfectly, so test several concepts and try many different approaches.
- Don't look for quick fixes, social media impact takes time.
- Avoid top-down communications campaigns; unless the messages and actions are driven by the community, they will not benefit from the power of peer networks.
- Invest in capacity to support projects and organizations that are already engaging people effectively online, and support them to scale up what is working.
- Go beyond easy metrics like hits and views. Look for engagement and offline impact.

In Section 3, the report discusses the unique ways foundations leverage social media tools to achieve specific objectives. The report identifies some of the objectives and goals that foundations commonly have in engaging with social media including:

- Acting as a voice for grantees' work
- Making information available
- Inviting stakeholders into internal processes
- Engaging people to help solve problems in their communities
- Transparency and accountability

The report then provides a detailed roadmap for engaging with social media. The challenge for grantmakers is to be sufficiently well-informed to make good investments in this emerging field and ensure that the projects that can achieve real impact are supported appropriately.

The full report can be found at:
http://www.instituteforphilanthropy.org/cms/pages/documents/Philanthropy%20and%20Social%20Media.pdf

Foundation Communications Today: Findings from the 2011 Survey of Foundation Communications Professionals
The Communications Network, June 2011

This report presents findings from The Communications Network 2011 survey of foundation communications professionals.

Several key themes emerged:

- Most communications professionals are doing a lot with few resources (both financial and human resources).
- The main objective of foundation communications is to increase the public understanding of the issues the foundation concentrates on.
- Almost all of the respondents said they spend some of their work time on new media, only a tiny fraction said their organization does not use social media tools at all (7 percent). The greatest proportion of respondents (44 percent) said their communications departments spend up to 10 percent of their time on social media. This is a significant change from the 2008 survey when activities focused on adding content and updating websites.
- Three quarters of respondents have a communications plan, but only a third say the plan guides their daily work.
- Communication departments are becoming more central to foundation functioning.

The report illustrates that foundations are making greater use of websites and new media and online communications tools to reach their target audience. The majority of respondents work in organizations that support a platform where non-IT staff can upload and edit content and videos. Sixty-one percent have placed highly visible links to their organization's social media pages on their homepage. Forty-seven percent of respondents said they now have a blog as well as comment functions and online event registration. Increasing new media and related digital communications capacity was the highest-rated priority for professionals' internal goals for their communications department.

The full report can be found at:
http://issuu.com/comnetwork/docs/sop6011a

Evaluation and Assessment

Evaluation in Philanthropy: Perspectives from the Field
Grantmakers for Effective Organizations and Council of Foundations, 2009

The State of Foundation Performance Assessment: A Survey of Foundation CEOs
Ellie Buteau, Ph.D. and Phil Buchanan
The Center for Effective Philanthropy, 2011

Room for Improvement: Foundations' Support of Nonprofit Performance Assessment
The Center for Effective Philanthropy, September 2012

Four Essentials of Evaluation
Grantmakers for Effective Organizations, July 2012

Evaluation in Philanthropy: Perspectives from the Field
Grantmakers for Effective Organizations and Council of Foundations, 2009

This report provides a look at evaluation through an organizational learning and effectiveness lens, as oppose to simply a means to for accountability. In this way, evaluation is seen as a means to provide grantmakers and grantees with the information and perspective to achieve better results. It is based on a review of current literature on evaluations and learning as well as the experiences of 19 members of Grantmakers for Effective Organizations (GEO), and is intended to help funders become "deliberate" actors that identify goals, develop specific plans for reaching those goals, measure progress, and build organizational learning into their work.

The report underscores that importance of organizational learning – systematic information gathering and research about grantmaker-supported activities that informs learning and drives continuous improvement. Specifically: (1) evaluations are about improvement not just proof; (2) evaluations contribute to the grantmaking mission through providing information and insights; (3) evaluations should form the basis for learning communities that involve staff, grantees, and the broader community; (4) evaluations should provide insights beyond a single grant; and (5) meaningful evaluations embrace failure as an opportunity to change and achieve better results. Such learning happens at three levels: within grantmaking organizations, across grantmaking organizations, and in partnership with grantees. This learning is a continuous process that requires a sustained commitment involving regular, honest communication. This type of evaluation is essential to effective strategy as it produces the data, information, and understanding that enable grantmakers to develop and fine-tune their strategies.

The report concludes by laying out specific steps that grantmakers can take to strengthen their evaluation process. First, they argue that grantmaker should undertake a comprehensive review of their evaluation practices. Second, grantmakers should hold board and staff discussions about how to strengthen evaluations work. Third, grantmakers must connect evaluation and grantmaking strategy. Fourth, grantmakers must talk with grantees to obtain their perspectives on how to leverage the power of evaluations as a core learning practice. And fifth, grantmakers must use their power to convene in order to share perspectives, ideas, challenges, and solutions.

Full text can be accessed via the following link:
http://www.geofunders.org/storage/documents/Evaluation_in_Philanthropy_--_GEO_COF.pdf

The State of Foundation Performance Assessment: A Survey of Foundation CEOs
Ellie Buteau, Ph.D. and Phil Buchanan
The Center for Effective Philanthropy, 2011

This report is a follow-up to prior research on foundation assessment practices in 2002. It asks foundation CEOs to discuss their approach to performance assessment. The findings are based on the responses of 173 foundations with annual grantmaking of at least $5 million dollars (a 32% percent response rate). The report highlights three key findings:

- CEOs place great importance on assessing their foundations' effectiveness. Although foundations have improved their practices in recent years, respondents feel that further progress is needed.
- Foundations appear to be using a broader range of information to assess their financial, operational, and programmatic performance than a decade ago, and many are combining this information to assess their overall performance.
- Board involvement in assessment is a challenge.

Respondents listed a wide range of tools for financial, operational, and program assessments. The most common tools for financial/operational assessment are information about investment/financial performance, administrative costs, benchmarking of staff compensation and benefits, and grants disbursement/payout rate. To assess programmatic effectiveness, almost all foundations use anecdotal feedback, written reports from grantees, site visits and on-site assessments of grantees, and formal evaluation of grants, clusters, or program areas.

More than 90 percent of CEOs report that their foundations conduct formal evaluations of their work, and a majority uses third parties evaluators. Most, however, are conducting formal evaluations for half or fewer of their grants. And although a majority of the respondents say that evaluations have helped their foundations understand the effects of their programmatic work, 65 percent report that having evaluations result in meaningful insights for the foundation is a challenge.

This survey found that 48 percent of CEOs say they combine information across functions into a foundation-wide performance assessment. The most frequent reasons cited for doing so are to learn and to improve the foundation's future performance; to demonstrate accountability for the foundation's use of resources; and to understand the external impact that can be attributed to the foundation's work.

The full report can be found at:
http://www.effectivephilanthropy.org/assets/pdfs/PerformanceAssessmentFinal.pdf

Room for Improvement: Foundations' Support of Nonprofit Performance Assessment
The Center on Effective Philanthropy
September 2012

There is growing interest among foundations about nonprofit performance and their ability to demonstrate their effectiveness. At the same time, too little attention has been paid to nonprofits' understanding of performance assessment and how such assessments can be supported. This report seeks to address these issues.

The primary findings from the survey of 300 nonprofit leaders nationwide are:

- Nonprofits want to assess their performance and are taking steps to do so. Specifically:
  - 81% believe that they should demonstrate the effectiveness of their work by using performance assessment measures;
  - 81% say that a top priority for their governing board is understanding the progress the organization is making toward its goals;
  - 80% say that they use data to inform their efforts to improve performance on an ongoing basis.
- Nonprofits want more help in performance assessment efforts than they are currently receiving from funders. Specifically:
  - While 32% believe funders have been helpful to their ability to assess performance, 62% say they would like more help from foundations in this regard;
  - 71% say that they receive no foundation support for their organization's assessment efforts.
- Large majorities of the nonprofits would like more conversation with funders about performance assessment. Specifically:
  - 52% want more conversation about what performance targets to set;
  - 68% want more discussion about what data to collect;
  - 62% want more discussion about how to interpret the data collected;
  - 71% want more discussion about how to develop the capacity to collect and interpret data.

The report asserts a dissonance between the perceptions of funders and grantees when it comes to nonprofit performance and assessment. It suggests that these differences might be the result of different definitions each has regarding performance and performance assessment. The authors present a number of questions for further research including: what does nonprofit assessment means to nonprofits and to funders?; what information should be collected and used to assess performance?; what are the goals of nonprofit performance assessment?; and, to what extent are nonprofits using the information they are collecting to help govern, manage, and improve their own performance?

The full report can be found at:
http://www.effectivephilanthropy.org/assets/pdfs/Room%20for%20Improvement.pdf

Four Essentials of Evaluation
Grantmakers for Effective Organizations
July 2012

A 2012 field survey of GEO members concerning their practices shows that while 70 percent of respondents evaluate the work they fund, the majority of them view evaluation as an accountability exercise. The report suggests that evaluation should be used for "advancing knowledge and understanding among grantmakers, their grantees and their partners about what's working, what's not and how to improve their performance over time."

Four organizing concepts are suggested to facilitate "evaluation for learning."

- *Lead.* Create a culture where evaluation is an everyday priority and where it supports and advances continuous learning. Build commitment to evaluation for learning from board and staff leaders and create spaces for key stakeholders to reflect on work. Suggestions include anchoring the evaluation work in formalized structures within the organization; showing that evaluation can lead to greater impact; and opening the evaluation up to create opportunities for grantees and others to share knowledge.
- *Plan.* Develop a framework to ensure stakeholders are "evaluating with purpose" by determining what stakeholders need to understand in order to do a better job. Suggestions include asking the right guiding questions; and working collaboratively with grantees and the broader community about what questions will yield the information that is needed.
- *Organize.* Ensure grantmakers and grantees have the necessary infrastructure to support the evaluation plan. This means establishing the right skills, processes and technology to make evaluation for learning an ongoing priority. Suggestions include: knowing your own capacity and that of your grantees (e.g., the use of technology and the ability to capture and analyze data); building on what you already do and grounding the work of evaluation in your day-to-day activities; avoiding data collection or measurements that won't be used; and finding indicators that make sense to all concerned stakeholders.
- *Share.* Collaborate with grantees, grantmaking colleagues and others to ensure that evaluation is producing meaningful results. Suggestions include: involving grantees and partners when developing or reviewing strategies; sharing lessons on an ongoing basis with key audiences; and engaging in open relationships with grantees to support learning.

The full report can be found at:
http://www.geofunders.org/storage/documents/2012_geo_evaluation_essentials.pdf

Capacity Building and Leadership Development

The Capacity Building Challenge: Part I: A Research Perspective
Paul C. Light and Elizabeth T. Hubbard
Practice Matters: The Improving Philanthropy Project, 2004

The Capacity Building Challenge: Part II: A Funder's Response
Barbara Kibbe
Practice Matters: The Improving Philanthropy Project, 2004

Investing In Leadership: Volume 1: A Grantmaker's Framework for Understanding Nonprofit Leadership Development
Betsy Hubbard
Grantmakers for Effective Organizations, 2005

GEO Action Guide: Supporting Next-Generation Leadership
Grantmakers for Effective Organizations, February 2008

The Capacity Building Challenge: Part I: A Research Perspective
Paul C. Light and Elizabeth T. Hubbard
Practice Matters: The Improving Philanthropy Project, 2004

Research on the impact of capacity building efforts is limited. In response, this paper attempts to create a system for understanding the various approaches to capacity building and strategies for measuring the outcomes of these efforts. Findings are based on analyses of the capacity building efforts of eight funders and sixteen distinct programs. In addition, Light interviewed technical assistance providers and executives of high-performing nonprofits.

Light argues that capacity building efforts should not only be designed to improve organizational performance, but should also serve individuals, organizations, communities, or the nonprofit sector as a whole. The scope of these efforts can also be aimed at implementing new systems in the short term or to achieve long-term change. The paper identifies four key elements in determining the scope, design, and success of capacity building engagements: the desired outcomes or defining goals; the change strategy selected to help realize that goal; the champions guiding the efforts (both internal and external); and the time, energy, and money invested in the project.

The programs studied in this report are categorized into three types:

- Direct response programs: Funding is provided to nonprofits to address defined capacity building needs.
- Capacity building initiatives: Funding targets a select group of nonprofits to address a broad range of organizational effectiveness issues.
- Sector-strengthening programs: Funding supports knowledge development (research), knowledge delivery (consulting, management support organizations), or knowledge exchange (convening efforts).

Light also discusses evaluation strategies and where grantmakers and evaluators should look for outcomes. Light suggests three levels of outcomes for capacity building: grant outputs, organizational outcomes, and mission impact. Currently, most capacity building program evaluations focus on grant outputs, or whether the immediate grant objectives were achieved. While this approach is helpful, it says little about whether or not meeting these objectives actually matters in any meaningful way for the grantee. As such, Light suggests using a 360 degree approach to evaluation where everyone involved in the capacity building effort measures and assesses outcomes.

The full text can be accessed via the following link:
http://foundationcenter.org/gainknowledge/research/pdf/practicematters_07_paper.pdf

The Capacity Building Challenge: Part II: A Funder's Response
Barbara Kibbe
Practice Matters: The Improving Philanthropy Project, 2004

This paper presents one grantmaker's perspective on how to begin applying lessons from capacity building research to making grants that will strengthen nonprofits and the sector. Kibbe outlines a model for capacity building that requires funders to follow a series of steps. These steps are:

- Define important terms including effectiveness, capacity, capacity building, and outcomes.
- Decide on a focus for the capacity building work.
- Align policies and practices with intended outcomes.
- Reflect on the results.

This iterative process provides clarity and strengthens capacity building programs and enables the philanthropic community to begin to generalize about lessons learned across foundation programs.

Kibbe also suggests that funders and researchers give greater thought to some of the prevailing practices in the capacity building field including: funders' faith in strategic planning; the heavy reliance on outside consultants; and the acknowledged importance of executive leadership and engaged boards. She recommends that funders come together to develop shared definitions of organizational effectiveness and capacity building and shared hypotheses of what kinds of activities will result in successful efforts.

The full text can be accessed via the following link:
http://foundationcenter.org/gainknowledge/research/pdf/practicematters_07_paper.pdf

***Investing In Leadership: Volume 1: A Grantmaker's Framework for Understanding* Nonprofit Leadership Development**
Betsy Hubbard
Grantmakers for Effective Organizations, 2005

This article discusses the history, role, and purpose of leadership development activities in the nonprofit sector. Hubbard provides suggestions for grantmakers on how to address and promote effective leadership development in grantee organizations in order to increase organizational effectiveness.

Grantmakers should:

- Think seriously about leadership needs, theories of change, and program evaluation strategies before funding new leadership programs. This will allow for the evaluation of expected outcomes.
- Promote grantee ownership of leadership development programs and encourage grantees to approach leadership development strategically, rather than simply providing low-cost access to leadership development programs.
- Explore more sustainable forms of leadership development driven by internal needs rather than external opportunities, including workplace-driven and job-based technology-driven programs.

Grantmakers should work together to:

- Seek to understand whether and how leadership development programs improve organizational performance by focusing on organizational-level indicators and sharing findings with the grantmaking community.
- Identify current leadership development practices in the nonprofit sector and examine how and why these practices differ from those of the private sector given that the majority of the knowledge about leadership development is based on private sector experience, in particular large corporations.
- Address issues of executive recruitment and retention by addressing the factors that drive people out of the sector – such as stress, long hours, and low wages – in order to attract and keep talented individuals.

The full text can be accessed via the following link (registration required):
http://www.geofunders.org/geopublications.aspx

GEO Action Guide: Supporting Next-Generation Leadership
Grantmakers for Effective Organizations, February 2008

By synthesizing the empirical work done on next-generation leadership, Grantmakers for Effective Organizations produced an action guide to give grantmakers an overview of the challenges facing the nonprofit sector as it recruits next-generation leaders and offers specific ways in which they can attract, cultivate, and retain new leaders. The action guide also shares anecdotal experiences of grantmakers already working to support next-generation leadership.

Why the Concern?
The case for cultivating next-generation leadership is made by referencing several studies on the anticipated "leadership gap" along with the attitudes towards nonprofit leadership amongst emerging leaders. Despite a willingness and readiness to lead, the vast majority of nonprofit staff feels underpaid and has reservations about committing to a career in the nonprofit sector due to financial considerations. Furthermore, next-generation leaders differ from the current generation of leaders in their desire for a more balanced work-life schedule. In order to address this, GEO suggests rethinking basic assumptions about how nonprofits embrace diversity and what to expect from their leaders.

Make the Case
GEO recognizes that national studies about leadership challenges will not be enough to motivate grantmaking organizations to support next-generation leadership. In response they recommend grantmaking organizations do the following:

1. Open a dialogue with grantees about the specific leadership challenges they face.
2. Gather data specific to your community in order to identify gaps and highlight the real issue.
3. Use this research along with convenings to engage grantmakers in supporting new-generation leadership strategies.
4. Focus on strategies that build consensus such as boosting nonprofit salaries and promoting diversity in leadership.

Get to Work
Nonprofits generally lack a human resources division and therefore struggle to nurture future leaders through skill development, mentoring and succession planning. Therefore, the greatest leverage grantmaking organizations have to ensure grantees have the capacity to identify and develop next-generation leaders is to invest in general operating support, capacity-building support dedicated to leadership development, and proven approaches to recruitment and retention of next-generation nonprofit leaders.

The full text and commentaries can be accessed via the following link:
http://www.geofunders.org/geopublications.aspx

FOUNDATION ACCOUNTABILITY AND REGULATION

General

Congress and Private Foundations: An Historical Analysis
John A. Edie
Council on Foundations, 1987

Accountability: To Whom and For What Purposes
Joel Fleishman
Paper presented to The Waldemar A. Nielson Issues in Philanthropy Seminar Series, Georgetown University, October 2002

The 1969 Private Foundation Law: Historical Perspective on Its Origins and Underpinnings
Thomas A. Troyer
Council on Foundations, November 29, 1999

"A Worst Case Scenario or the Perfect Storm?"
Emmett Carson, based on remarks to COF's Board Trustee Dinner on April 27, 2003
Reprinted in *Foundation News and Commentary*, January/February 2004

"Weasels on the March: Struggle for Charitable Accountability in an Indifferent Sector"
Dean Zerbe
The Nonprofit Quarterly, 2008

Congress and Private Foundations: An Historical Analysis
John A. Edie
Council on Foundations, 1987

The monograph traces the history of congressional debate and action about private foundations, starting in the early 1900s and continuing through the Tax Reform Act of 1986.

Of particular note is Edie's discussion of Congressional concern about private foundations excessive business holdings and self-dealing that arose in the 1950s, and the various congressional hearings and investigations that ultimately led to the Tax Reform Act of 1969 and the subsequent piece-meal modifications.

This history is helpful in understanding that:

- The basic framework for regulation of private foundations was forged over time, culminating in the 1969 Tax Reform Act. Subsequent legislation and congressional discussion has occurred within the framework since codification in 1969.
- There has been lingering concern in Congress, intensifying at various points in time, over the same issues – self-dealing, excessive business holdings, and protecting private wealth; recent concerns about self-dealing and wealth protection in 2003 is only the latest episode.
- Legislative proposals to address such concerns through payout requirements, excise taxes, and administration expenditure limits are likely to continue to be offered regardless of the outcome of HR 7, and they are likely to be based on anecdotes and media coverage as opposed to analysis.

The full text is no longer available electronically, but hard copies may be ordered via the following link:
http://www.amazon.com/Congress-private-foundations-historical-Occasional/dp/B00071STSM/ref=sr_1_1?ie=UTF8&s=books&qid=1200087211&sr=8-1

Accountability: To Whom and For What Purposes
Joel Fleishman
The Waldemar A. Nielson Issues in Philanthropy Seminar Series, Georgetown University, October 2002

In this Nielson lecture, Joel Fleishman advances the argument that in the face of increasing public scrutiny, calls for greater accountability for nonprofit organizations, including private foundations, should be honored.

He suggests three possible models for achieving greater accountability-enforcement:

1. Self-regulation through standard setting.
2. Creation of an independent watchdog group that would work with appropriate governmental bodies.
3. Creation of a governmental body with enforcement powers including investigative and subpoena powers.

He states a clear preference for self-regulation, but worries that in lieu of proactive steps by the nonprofit sector a governmental body with enforcement powers might become the more likely outcome.

The full text can be accessed via the following link:
http://cpnl.georgetown.edu/doc_pool/Nielsen0202Fleishman.pdf

The 1969 Private Foundation Law: Historical Perspective on Its Origins and Underpinnings
Thomas A. Troyer
Council on Foundations, November 29, 1999

In this monograph, Thomas Troyer reviews the Tax Reform Act of 1969 from his vantage point within the Department of Treasury during the mid-1960s, and his subsequent work with the Council on Foundations as the legislation was debated and signed into law. The Tax Reform Act represented the last major Congressional action that regulated private foundations at the time.

The main elements of this legislation were:

- More stringent restrictions on self-dealing, motivated by a desire to minimize the need to develop subjective arms-length standards and to increase the possibility of enforcement.
- Introduction of payout rules, with a minimum of 6 percent of investment assets, motivated by a concern that donors received a tax benefit but were not required to make grants in the same period.
- Rules to curb excessive business holdings, designed to focus foundations on charitable activities as opposed to business dealings.
- Restrictions on foundation programmatic activities related to elections, lobbying and related political activities, and non-charitable activities that emerged from disdain for foundation activities during the 1960s, as opposed to matters of longstanding Congressional concern.

Interestingly, Congress rejected attempts to remove the tax benefit for private foundations and efforts to restrict the life of foundations that were raised in the debate over the 1969 legislation.

The full text can be accessed via the following link:
http://www.law.nyu.edu/ncpl/library/publications/Conf1999_Troyer_Final.pdf

"A Worst Case Scenario or the Perfect Storm?"
Emmett Carson
Based on remarks to COF's Board Trustee Dinner on April 27, 2003
***Foundation News and Commentary*, January/February 2004**

Emmett Carson's well-circulated remarks on the challenges that the foundation community faces encourages foundations and their infrastructure organizations, COF and IS, to address issues of transparency and accountability so that foundations may weather the "perfect storm."

Among the recommendations he makes are:

- Foundation boards need to be transparent in their actions and operations—including careful oversight of trustee and executive compensation, endowment management, the reasonableness of administrative costs, as well as the prevention of conflicts of interests, and a fair review of grant requests.
- Foundations also must be accountable in terms of demonstrating their impact and must be willing to act on the rhetoric of philanthropy as the venture capital for society.
- Foundations need to correct mistaken perceptions that philanthropy can substitute for government dollars.
- Foundations need to work to ensure diversity on their boards and in their staff.
- The COF and IS need to be willing to adopt standards for their members and be willing to criticize and sanction members who fail to meet them, as well as to encourage their members to fulfill the rhetoric of risk capital.

He concludes: "…we must accept risk and public scrutiny as routine elements of our work – not inconveniences to be ignored or avoided. Individual foundations must act, and expect that the Council will act, in ways that recognize that our most important asset is the public's trust."

The full text can be accessed via the following link:
http://www.cof.org/files/Documents/Speeches%20Important%20not%20CEO/carsonspeech42003.pdf

"Weasels on the March: The Struggle for Charitable Accountability in an Indifferent Sector"
Dean Zerbe
***The Nonprofit Quarterly*, 2008**

Over the past several years, the charitable sector's credibility has eroded under the weight of scandal and a corresponding failure to fully acknowledge and address its problems. With massive theft exposed and organizations' leaders ousted on a regular basis, charities have yet to own the systemic dysfunction and define methods of self-regulation. The article argues that charities' credibility problem is unsustainable, and the time is now for charities to stop relying on external entities to take action.

In order to prevent these abuses and act responsibly for both the government and public that support these charities, the following action areas are suggested:

- *The Board* – a board that is independent, engaged, informed, and knowledgeable can detect and prevent scandal and be the cornerstone for a successful charity.
- *Lawyers* – lawyers cannot let the fact that something is legal guide all decisions. While some actions might be legal, they can also often be inappropriate and at odds with the charity's public trust and the intent of its donors.
- *University Philanthropy Departments* – philanthropy departments should not merely act as cheerleaders, but should provide practical proposals that assist in targeting enforcement, legislative, regulatory, and self-reform measures that address these scandals.
- *Federal and State Enforcement* – real enforcement of existing laws by the IRS is needed and a 'commensurate test' that ensures a charity's activities are in line with its financial benefits must be practiced.
- *Congress and State Legislatures* – continued federal legislative oversight is important and state-level legislators must stop relying on the federal government to regulate charities.
- *The Media* – foundations should support investigative journalism programs to ensure the media is not only exposing the inappropriate behavior of charities but also following up on those stories and holding regulator accountable.

Full text can be accessed via the following link:
http://www.nonprofitquarterly.org/content/view/5/26/

Foundation Standards and Guidelines/Panel on the Nonprofit Sector

IS Principles of Effective Practice, Revised
Panel on the Nonprofit Sector
March 1, 2007

Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations
Panel on the Nonprofit Sector
Independent Sector, October 2007

"We're Not Signing It: Our Concerns About Independent Sector's 'Principles for Good Governance and Ethical Practice'"
Adam Meyerson
The Philanthropy Roundtable, December 17, 2007

IS Principles of Effective Practice, Revised
Panel on the Nonprofit Sector, 2007

As a follow-up to earlier work in October of 2007 providing recommendations to Congress for improving the governance, accountability, and transparency of foundations and public charities, the Panel on the Nonprofit Sector appointed an Advisory Committee on Self-Regulation to develop guidelines for effective practice in the nonprofit sector.

The Panel developed 29 principles that encompass legal compliance and public disclosure, board governance, financial oversight and fundraising. In addition, IS staff proposed additional principles for a code of ethics and risk management.

Principles for Facilitating Legal Compliance and Public Disclosure

1. A charitable organization should be knowledgeable about and must comply with all applicable federal laws and regulations, as well as applicable laws and regulations of the states and the local jurisdictions in which it is based or operates. If the organization conducts programs outside the United States, it should also abide by applicable international laws, regulations and conventions.

2. A charitable organization must have a governing body that is responsible for reviewing and approving the organization's mission and strategic direction, annual budget and key financial transactions, compensation practices and policies, and fiscal and governance policies of the organization.

3. A charitable organization should adopt and implement policies and procedures to ensure that all conflicts of interest, or the appearance thereof, within the organization and the board are avoided or appropriately managed through disclosure, recusal, or other means.

4. A charitable organization should establish and implement policies and procedures that enable individuals to come forward with credible information on illegal practices or violations of organizational policies. This "whistleblower" policy must specify that the organization will not retaliate against individuals who make such reports.

5. A charitable organization should establish and implement policies and procedures to protect and preserve the organization's important documents and business records.

6. A charitable organization must make information about its operations, including its governance, finances, programs, and activities widely available to the public. Charitable organizations should also make information available on the methods they use to evaluate the outcomes of their work and are encouraged to share the results of those evaluations.

Principles for Effective Governance

7. The board of a charitable organization must meet regularly enough to conduct its business and fulfill its duties.

8. The board of a charitable organization should establish and review periodically its size and structure to ensure effective governance and to meet the organization's goals and objectives. The board should have a minimum of five members.

9. The board of a charitable organization should include members with the diverse skills, background, expertise, and experience necessary to advance the organization's ability to fulfill its mission. The board should include some individuals with financial literacy.

10. A substantial majority of the board of a public charity should be independent – that is, they should be individuals (1) who are not compensated by the organization as an employee or independent contractor; (2) whose compensation is not determined by individuals who are compensated by the organization; (3) who do not receive, directly or indirectly, material financial benefits from the organization except as a member of the charitable class served by the organization; and (4) who are not related to (as a spouse, sibling, parent or child), or do not reside with, any individual described above.

11. The board should hire, supervise, and annually evaluate the performance of the chief executive officer of the organization, as well as approve annually and in advance the compensation of the chief executive officer unless there is a multiyear contract in force or there is no change in the compensation except for an inflation or cost-of-living adjustment.

12. The board of a charitable organization that has paid staff should ensure that the positions of chief executive officer, board chair, and treasurer are held by separate individuals. Organizations without paid staff should ensure that the positions of board chair and treasurer are held by separate individuals.

13. The board should establish an effective, systematic process for educating and communicating with board members to ensure that the board carries out its oversight functions and that individual members are aware of their legal and ethical responsibilities and are familiar with the programs and activities of the organization.

14. Board members should evaluate their own performance as a group and as individuals no less frequently than every three years. The board should establish clear policies and procedures on the length of terms, the number of consecutive terms a board member may serve, and the removal of board members.

15. The board should review organizational and governing instruments no less frequently than every five years.

16. The board should establish or review goals for implementing the organization's mission on an annual basis and evaluate no less frequently than every three years the organization's programs, goals, and activities to be sure they advance the mission and make prudent use of the organization's resources.

17. Board members are generally expected to serve without compensation, other than reimbursement for expenses incurred to fulfill their board duties. Charitable organizations that provide compensation to board members should have it reviewed by an independent, external source and should, upon request, make available to anyone relevant information that will assist in evaluating the reasonableness of such compensation.

Principles for Strong Financial Oversight

18. The board of a charitable organization should institute policies and procedures to ensure that the organization (and, if applicable, its subsidiaries) manages and invests its funds responsibly and prudently. The full board should review and approve the organization's annual budget and should monitor actual performance against the budget.

19. A charitable organization must keep complete, current, and accurate financial records. Its board should receive and review timely reports of the organization's financial activities and should have a qualified, independent financial expert audit or review these statements annually in a manner appropriate to the organization's size and scale of operations.

20. A charitable organization should not provide loans (or the equivalent) to directors, officers or trustees.

21. A charitable organization should spend a significant percentage of its annual budget on programs in pursuance of its mission. An organization should also provide sufficient resources for effective administration of the organization, and, if the organization solicits contributions, for appropriate fundraising activities.

22. A charitable organization should establish and implement policies that provide clear guidance on its rules for paying or reimbursing expenses incurred by anyone conducting business or traveling on behalf of the organization, including the types of expenses that can be paid for or reimbursed and the documentation required. Such policies should require that travel on behalf of the organization is to be undertaken in a cost-effective manner. Charitable organizations should not pay for nor reimburse travel expenditures (not including de minimis expenses of those attending an activity such as a meal function of the organization) for spouses, dependents, or others who are accompanying individuals conducting business for the organization unless they, too, are conducting business for the organization.

Principles for Responsible Fundraising Practices

23. Solicitation materials and other communications with donors and the public must clearly identify the organization and be accurate and truthful.

24. Contributions must be used for the purposes described in the relevant solicitation materials, in the way specifically requested by the donor, or in a manner that reflects the donor's intent.

25. Charitable organizations must provide donors, in accordance with IRS requirements, with clear, accurate acknowledgments of charitable contributions, and should provide donors with information to facilitate compliance with tax law requirements.
26. Charitable organizations should implement clear policies, based on the organization's exempt purpose, to determine whether accepting a gift would compromise the ethics, financial circumstances, program focus, or other interests of the organization.

27. A charitable organization should provide appropriate training and supervision of the people soliciting funds on its behalf to ensure that they understand their responsibilities and applicable federal, state and local laws, and that they do not employ techniques that are coercive, intimidating, or intended to harass potential donors.

28. Organizations should not compensate internal or external fundraisers based on a commission or a percentage of the amount raised.

29. A charitable organization should respect the privacy of individual donors and, except where disclosure is required by law, should not sell or otherwise make available the names and contact information of its donors without providing them an opportunity at least once a year to opt out of the use of their names.

The IS staff has proposed two additional principles that are to be reviewed by the Panel: adoption of a code of ethics for an organization – and its trustees, staff, and volunteers; and a risk management plan.

30. A charitable organization should have a formally adopted, written code of ethics with which all of their trustees, staff and volunteers are familiar and to which they adhere.

31. A charitable organization's board of directors should ensure that the organization adheres to a risk management plan that protects the organization's assets—its property, financial and human resources, and programmatic content and material. The board should review annually the organization's need for general liability and directors' and officers' liability insurance, as well as take other actions necessary to mitigate risks.

The full text can be accessed via the following link:
http://www.nonprofitpanel.org/Report/index.html

Principles for Good Governance and Ethical Practice
Panel on the Nonprofit Sector
Independent Sector, October 2007

The Panel on the Nonprofit Sector has compiled a list of 33 principles to strengthen governance, transparency and ethical standards for charitable organizations. The list was compiled through conversations with thousands of members of the philanthropic community. The Panel has reported to Congress and the Internal Revenue Service.

The principles are organized under four categories.

1. *Legal Compliance and Public Discourse* – the responsibilities charitable organizations have in complying with their legal obligations and providing information to the public.

2. *Effective Governance* – polices that ensure oversight and responsible governance in charitable organizations.

3. *Strong Financial Oversight* – polices that guarantee the financial resources of charitable organizations are allocated wisely.

4. *Responsible Fundraising* – policies that help to establish the public's trust in charitable organizations that solicit public funds.

The full text can be accessed via the following link:
http://www.nonprofitpanel.org/Report/index.html

"We're Not Signing It: Our Concerns About Independent Sector's 'Principles for Good Governance and Ethical Practice'"
Adam Meyerson
***The Philanthropy Roundtable*, December 17, 2007**

Adam Meyerson, President of the Philanthropy Roundtable, responds to the Independent Sector's "Principles for Good Governance and Ethical Practice" by recommending that the document as a whole not be adopted by the philanthropic community for three primary reasons.

One Size Fits All Approach
Several of the Independent Sector's principles take a one-size-fits-all approach in setting its standards. For example, Principle 10 suggests that a suitable board should have a minimum of five members with the exception of small foundations. This restricts charitable organizations in using their best judgment as to how to govern themselves. Another example of the one-size-fits-all approach is found in Principle 20 which strongly discourages trustee compensation. Yet, there is a history of both volunteer board service and compensated board service with both excellent and mediocre service found in each instance. Compensated board service is logical when it encourages members to take their responsibilities more seriously, when boards take on added responsibilities or when board service requires a trustee to sacrifice time from their family or employment. Therefore, it would be unfair to favor one tradition over the other.

Misunderstanding Diversity
The principles imply that boards which lack members of diverse background act unethically or practice misgovernance. For instance, Principle 11 suggests that boards should include members of diverse backgrounds. Meyerson focuses on the aspect of the principle regarding "different philosophical outlooks and life experiences." He argues that boards work best when they share a sense of mission and states that boards with radically diverse opinions tend to become splintered. Finally, Meyerson argues against the idea that boards must be demographically similar to the target group it serves.

Codification into Law and Regulation
If it is perceived that the entire community endorses the principles, a number of them could be written into law or regulation. The principles were prepared by The Panel on the Nonprofit Sector which was convened at the request of Chairman Max Baucus and Senator Charles Grassley in order to reform charitable organizations. Senator Grassley has mentioned that he has not yet completed his legislative agenda for foundations and charities; thus there is a good chance that the IS principles will be called upon when writing that legislation.

The full text can be accessed via the following link:
http://www.philanthropyroundtable.org/article.asp?article=1510&paper=1&cat=1

The Sarbanes-Oxley Act

The Sarbanes-Oxley Act and the Implications for Nonprofit Organizations
BoardSource and Independent Sector, 2003

"Keeping up with Sarbanes-Oxley"
John DiConsiglio
Board Member, September 2003

Recent Reforms in Corporate Governance: Should Foundations Change Too?
Janne Gallagher
Council on Foundations, October 2002

The Sarbanes-Oxley Act and the Implications for Nonprofit Organizations
BoardSource and Independent Sector, 2003

This paper provides a summary of the American Competitiveness and Corporate Responsibility Act of 2002 (commonly referred to as Sarbanes-Oxley) that is intended to reform corporate governance in publicly traded companies in terms of financial transactions and auditing practices. It is widely discussed as a "wake-up" call to nonprofit organizations. In fact, some state attorneys general are proposing that provisions of the Act should be applied to nonprofits.

There are seven basic provisions of the Act:

1. *Independent and Competent Audit Committee:* Each member of the audit committee must be an independent board member, where independent is defined as not being part of the management team and not being compensated by the corporation for any work as a consultant for professional services. Related provisions require disclosure if there is one financial expert on the board, and entrusts hiring, setting compensation, and overseeing the auditor's activities to the audit committee.
2. *Responsibilities of Auditors:* The lead and reviewing partner of the auditing firm must roll off the audit every five years; the auditing firm cannot provide any non-audit services to the company concurrently with the exception of tax preparation; and the auditing firm must report all critical methods and assumptions underlying the audit.
3. *Certified Financial Statements:* The CEO and CFO must certify the appropriateness of financial statements and that they fairly represent the financial condition and operations of the organization. The CEO and other financial officers cannot have worked for the audit company in the year prior to the audit.
4. *Insider Transactions and Conflicts of Interest***:** The Act generally prohibits loans to any directors or executives of the company.
5. *Disclosure***:** The Act requires disclosure of information related to internal control mechanisms, corrections to financial statements, material off balance sheet transactions, and other material changes to the financial condition of the organization.

The following two provisions apply to nonprofits and foundations.

6. *Whistle-blower Protection:* It is illegal for a corporate entity, including nonprofits and foundations, to punish a whistle-blower. Procedures to protect whistle-blowers who risk their careers by reporting suspected illegal activities in the organizations must be established. New criminal penalties for retaliation of whistle-blowers are provided in the legislation.
7. *Document Destruction:* The law makes it illegal to alter, cover-up, falsify, or destroy documents to prevent their use in any official proceeding. Document destruction must be monitored, justified, and carefully administered.

The full text can be accessed via the following link:
http://www.boardsource.org/clientfiles/sarbanes-oxley.pdf

"Keeping up with Sarbanes-Oxley"
John DiConsiglio
***Board Member*, September 2003**

This brief article indicates that despite the prominence that Sarbanes-Oxley has received in the corporate sector, few nonprofits have paid much attention to it.

In the side bar of the article, there is a counter to the argument that regulations will make much difference in creating more transparent and accountable organizations; it argues that good governance comes from within and offers the following recommendations:

- Select board members who have the courage to challenge the CEO without dragging in their ego.
- Orient new board members and continue to educate continuing members.
- Inform and communicate with the board in multiple ways.
- Balance the power of the CEO in terms of board selection, CEO succession, and committee chairmanships.
- Establish constructive skepticism.
- Board members must be committed.
- Evaluate the CEO, the board as a whole, and individual members.

The full text can be accessed via the following link (subscription required):
http://www.boardsource.org/Knowledge.asp?ID=1.747

"Recent Reforms in Corporate Governance: Should Foundations Change Too?"
Janne Gallagher
Council on Foundations, October 2002

This paper considers the implications of Sarbanes-Oxley for foundations by suggesting some steps that individual foundations might wish to adopt voluntarily.

Efforts should be made to:

- Adopt policies that strengthen the independence of the organization's finances and reduce conflicts of interest with the auditing company.
- Adopt policies that require CEO and CFO to certify financial statements and require disclosure of any significant change in the financial practices and operations.
- Review compensation practices of executives and any practices of loans to executives and board members.

The full text can be accessed via the following link:
http://www.cof.org/files/Documents/Legal/CorporateDisclosureAct/CorporateReform.pdf

Foundation Payout/Administrative Expenses

The Foundation Payout Puzzle
Akash Deep and Peter Frumkin
unpublished paper, June 2001

"The Nonprofit Sector's $100 Billion Opportunity"
Bill Bradley, Paul Jansen, and Les Silverman
Harvard Business Review, May 2003

"For nonprofits, time is money"
Paul Jansen and David Katz
The McKinsey Quarterly, 2002

"When Time Isn't Money: Foundation Payouts and the Time Value of Money"
Michael Klausner
Stanford Social Innovation Review, 2003 (and letters to editor)

Money, Mission, and the Payout Rule: In Search of a Strategic Approach to Foundation Spending
Thomas J. Billitteri
The Aspen Institute, Nonprofit Sector Research Fund Working Paper Series, July 2005

Foundation Expenses and Compensation, Interim Report 2005
Elizabeth T. Boris, Loren Renz, and Mark A. Hager
The Urban Institute, the Foundation Center, and Philanthropic Research, Inc., 2005

"The Foundation Payout Puzzle"
Akash Deep and Peter Frumkin
Unpublished paper, June 2001

This paper reviews the arguments in favor and in opposition to an increase in the foundation payout rate. Deep and Frumkin demonstrate that although the payout rate is a minimum, few foundations deviate from it. They suggest that current public policy fails to ensure that foundations use their assets for the public benefit nor does it enable foundations to link payout rates to mission.

Should the payout rate be higher?

The arguments in favor of a higher payout rate include:

- Deal with social problems as they emerge rather than later.
- Tax fairness/tax advantages are linked to philanthropic giving in given period.
- Future periods benefit from new money.
- Donor intent more likely to be honored.

The arguments against a higher payout rate include:

- Social problems may be worse in future.
- Uncertainty posed by financial markets.
- Duty of care: preserve assets for the future.
- Nonprofit capacity to solve problems is limited.

Why does nearly every foundation payout at 5 percent?

The lack of deviation from the minimum payout is a function of:

- Managerial constraints and incentives including uncertainty over outcomes, reputation associated with asset size, and the weight of professional experience and tradition.
- Difficulty in making choices about giving now vs. the future due to an inability to foresee the future in terms of market performance of endowments, the social needs, and the capacity of nonprofits.
- Distortions caused by excise taxes.

What should the policy be?

It is clear that the current payout policy is not ideal. However, except for arguing to eliminate the excise tax, the authors do not craft policy recommendations of their own.

The full text can be accessed via the following link:
http://www.ksghauser.harvard.edu/PDF_XLS/workingpapers/workingpaper_9.pdf

"The Nonprofit Sector's $100 Billion Opportunity"
Bill Bradley, Paul Jansen, and Les Silverman
***Harvard Business Review*, May 2003**

This article, based on extensive analysis by McKinsey's Nonprofit Group, suggests that the nonprofit sector could tap an additional $100 billion dollars by making five significant changes:

1. Reduce costs associated with fundraising.
2. Distribute holdings faster.
3. Reduce program service costs.
4. Trim administrative costs.
5. Improve sector effectiveness.

While many of these recommendations focus on the management of nonprofit organizations, it has been included in the current public debate because of the timing of its publication and the inclusion of the second recommendation which is a plea for higher payout rates from endowments, both of foundations and endowed public charities such as museums, universities, and hospitals.

The full text can be accessed via the following link:
http://harvardbusinessonline.hbsp.harvard.edu/b02/en/common/item_detail.jhtml?id=R0305G

Paul Jansen and David Katz, "For nonprofits, time is money"
***The McKinsey Quarterly*, 2002**

This article suggests that foundations would produce a greater benefit by using a greater share of their financial assets now, as opposed to saving them for future use. The analysis is based on the application of net present value calculations to foundation endowments (as well as those in public charities). Jansen and Katz also suggest that removing the preoccupation with perpetuity on the part of foundations would enable them to consider achieving greater benefits (in net present value terms).

The full text can be accessed via the following link (subscription required):
http://www.mckinseyquarterly.com/article_abstract_visitor.aspx?ar=1148&l2=33&l3=95&srid=8&gp=1

"When Time Isn't Money: Foundation Payouts and the Time Value of Money"
Michael Klausner
***Stanford Social Innovation Review*, 2003**

In this article, Michael Klausner challenges the Jansen and Katz analysis not only based on the discount rate that they apply (10-15 percent), but on the approach itself which values the current generation over future generations as long as the discount rate is positive. Given the long-term framework that many foundations adopt in pursuit of their missions, Klausner asserts the fundamental question is how to balance the charity that current generations receive versus the charity available for future generations. Klausner argues that such a tradeoff is a function of the mission of the foundation, assessments of the varying needs and future growth of philanthropic resources, and the capacity of the recipients of foundation grants. The implication of this analysis is that foundations should explicitly choose their payout rate rather than using the mandated 5 percent minimum as a maximum.

The full text can be accessed via the following link:
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=445982#PaperDownload

Letters to the editor: available with subscription http://www.ssireview.org/

Mark R. Kramer applauds Klausner's ability to move the discussion beyond the mathematics of discounting, but suggests that the debate needs to incorporate an assessment on the effectiveness of philanthropic decision-making. In addition, he suggests that the question of whether there is a gain to putting endowments in the hands of public charities as opposed to philanthropic foundations should be addressed as well.

Edward Kacic underscores the fact that current law enables foundations to determine their own lifespan. Cognizant of this, he argues that a foundation's investment strategy and payout rate should be linked. He concludes that the current 5 percent payout rate is appropriate as it is roughly consistent with a discount rate based on the consumer price index, which over the past 54 years has averaged 4 percent.

Michael Klausner responds by reiterating that he has no interest in setting the payout rate at a given number, but rather would like foundations to consider the payout issue in the context of their mission. To the extent that foundations make choices in order to merely increase the value of their endowments because of prestige, he argues that there is a strong case to be made for public intervention (though he does not advocate so at this time). He raises the issue of intergeneration fiscal equity in the context of whether society should grant tax advantages in perpetuity.

Money, Mission, and the Payout Rule: In Search of a Strategic Approach to Foundation Spending
Thomas J. Billitteri
Nonprofit Sector Research Fund Working Paper Series
The Aspen Institute, July 2005

This report provides a history of the payout mandate, summarizes the arguments for and against the payout provision, and discusses proposals to change the payout rule. After examining the full range of public policy issues surrounding foundation spending, the report concludes that each foundation should take a more holistic approach to payout, developing payout strategies directly tied to its mission rather than relying on the federally mandated five percent payout minimum as foundation policy. This requires an examination of the foundation's strategy, linking payout with mission and decision about foundation perpetuity. Such an approach would ensure that grantmaking is done with maximum effectiveness and a greater sensitivity to the needs of grantees, and would reduce regulatory pressure and public criticism by dispelling some of the mystery surrounding foundation spending.

The full text can be accessed via the following link:
http://www.nonprofitresearch.org/usr_doc/FullReport721.pdf

Foundation Expenses and Compensation, Interim Report 2005
Elizabeth T. Boris, Loren Renz, and Mark A. Hager
The Urban Institute, the Foundation Center, and Philanthropic Research, Inc., 2005.

This report examines the relationship between foundation type and size and levels of operating/ administrative expenses as a percentage of payout. It is based on informational tax returns of the largest 10,000 foundations in terms of giving as of 2001. These foundations represent 16% of all foundations in 2001, account for 78% of all foundation giving, and hold 77 percent of all foundation assets. The report finds that the geographical scope of grantmaking programs, direct charitable activities, and employment of paid staff had a large impact on administrative and operating costs of independent foundations, resulting in a higher percentage of qualifying distributions going to such expenses. In addition, it was commonplace for the percentage to decrease with size, reflecting some economies of scale in foundation operations.

Some of the specific findings include:

- Charitable operating and administrative expenses accounted for 7 percent of qualifying distributions; 27.2 percent of independent foundations reported no charitable operating and administrative expenses, and 73.5 percent of independent foundations had no paid staff.
- Charitable operating and administrative expenses account for less than 5 percent of qualifying distributions; however, 1.5 percent of unstaffed and 14 percent of staffed foundations spend more than 20 percent of their qualifying distributions on charitable operating and administrative expenses.
- Foundations that give internationally spend a greater portion of their payout on charitable operating and administrative expenses, regardless of foundation size.
- Foundations engaging in direct charitable activities spent a greater percentage of their payout on charitable operating and administrative expenses; smaller foundations engaging in direct charitable activities spent a higher portion of their payout on charitable operating expenses than larger foundations.

The full text can be accessed via the following link:
http://www.urbaninstitute.org/UploadedPDF/411195_expenses_compensation.pdf

THE PHILANTHROPIC SECTOR

General

"Law Outside the Market: The Social Utility of the Private Foundation"
Carl J. Schramm
Harvard Journal of Law & Public Policy, Vol. 30
September 2006

The Social and Economic Value of Private and Community Foundations
Robert J. Shapiro, and Aparna Mathur
Philanthropic Collaborative, 2008

Criteria for Philanthropy at its Best: Measurable Benchmarks to Assess Foundation Performance
National Committee for Responsive Philanthropy, 2009

Broad Benefits: Health-Related Giving by Private and Community Foundations
Phillip Swagel, June 2009

How Public is Private Philanthropy: Separating Reality from Myth
Evelyn Brody and John Tyler
Philanthropy Roundtable, June 2009 move to philanthropic sector

Increasing Impact, Enhancing Value: A Practitioner's Guide to Leading Corporate Philanthropy
Council of Foundations, April 2012

"Law Outside the Market: The Social Utility of the Private Foundation"
Carl J. Schramm
***Harvard Journal of Law & Public Policy,* Vol. 30**
September 2006

This article examines the role of the American private foundation in society, offers a theoretical framework to guide private foundations, and suggests a guide of continued private action between the founders, trustees, and governmental oversight authority.

The primary functions of the private foundation are: 1) to serve as a mechanism for the reconstitution of wealth, and 2) to act as an institutional entrepreneur. The first function enforces democratic pluralism and a free-market economy while the second regenerates the economy by challenging other institutions towards renewal. However, in recent decades foundations have retreated in these roles and failed to recognize the changing needs and opportunities in our economy and society.

Private foundations are inextricably linked to democratic capitalism and have facilitated the changing needs and demands of society. Historically private foundations have contributed greatly to society in the areas of education, scientific research and social policy. Through foundation research into social policy, private foundations have been able to mitigate some of the negative externalities brought on by capitalism, allowing democratic capitalism to advance without the difficulties experienced by other countries such as political unionism and class warfare.

Yet, there have been a number of threats to the independence of foundations over time. For example:

- *The danger of vested interests* – the private foundation has no fixed interest, however in so much as stakeholders impose their interests on foundations they endanger the independence of foundations and make them vulnerable to "capture" by third party. The Dartmouth College case of 1819 "addressed the question of whether external parties possessed a direct stake or interest in the college, a charitable corporation." The court concluded that it did not.
- *Political threats* – in their efforts to exercise their oversight roles, attorneys general from a number of states have injected their political interest and threatened foundation uniqueness, innovation and effectiveness.
- *Claiming foundation assets for the public purse* – some argue that rather then being a private institution, foundations benefit from tax subsidies and should be subject to public demands making them quasi-governmental institutions.

In order to weather this criticism along with further government scrutiny, foundations must maintain a clearer vision of their role and purpose in society. Because foundations operate outside of the market without signals to indicate value, they have a greater individual responsibility to maximize their potential than other institutions. Thus, there is a need for opportunity cost analysis of foundations' use of financial and non-financial assets in order to

ensure purposefulness. While money is commonly thought to be the primary asset of private foundations, the ability to innovate is much more important.

In order to ensure that foundations are able to fulfill their role in society:

- Donors must have a clear purpose and trustees must honor that purpose even in the donor's absence.
- Foundations must be given adequate latitude to be innovative and inspire other institutions to evolve.
- Foundations must not tempt the government to investigate their actions with acts of frivolity.

The full text can be accessed via the following link:
http://www.law.harvard.edu/students/orgs/jlpp/Vol30_No1_Schrammonline.pdf

The Social and Economic Value of Private and Community Foundations
Robert J. Shapiro, Ph.D. and Aparna Mathur, Ph.D.
Philanthropic Collaborative, 2008

This report estimates the economic value of foundation grantmaking by examining the rates of return for various public and private programs that are included in the traditional categorizations of foundation grantmaking. The analysis indicates that for each dollar foundations pay out in grants, there is an economic benefit of $8.58. With foundation grantmaking totaling $42.9 billion in 2007, foundations through their work produced $367.9 billion in social and economic value.

The method to arrive at these estimates accounts for variations in the various fields in which foundations make grants such as the arts, education, health, human services, and the environment. Studies that estimate the rate of return for particular grantmaking programs or projects in the public and private sectors are identified, and then the authors calculate an average rate of return by field. This average rate of return is then applied field by field, ranging from $1 in religion and the social sciences to $22 per grant dollar in public affairs/social benefit area.

The report also indicates that the contribution of foundation grantmaking to society extends beyond the direct benefits of grantmaking by boosting employment and incomes for the beneficiaries of foundation grants, and associated government revenues. While these indirect benefits are difficult to measure, the report estimates that the foundation grantmaking generated nearly $512 billion in additional household income and 9,226,000 new jobs, translating into about $145 billion in added public revenues. This far outweighs the estimated cost to the government of the revenues lost due to the tax exemption of nonprofits which the report pegs between $8 and $13 billion a year.

Full text can be accessed via the following link:
http://www.philanthropycollaborative.org/FoundationStudy.pdf

Criteria for Philanthropy at its Best: Measurable Benchmarks to Assess Foundation Performance
National Committee for Responsive Philanthropy, 2009

This report from the National Committee for Responsive Philanthropy (NCRP) provides a collection of essays, discussion questions for foundation boards, and other more general suggestions designed to encourage more effective giving, or "Philanthropy at its Best." Using recent research and policy data, the report represents an in-depth data analysis to improve and increase the practice successful philanthropy that has the largest positive impact on the public good. The report also indentifies specific field leaders of the foundations that are finding success, providing direct example for other organizations to explore and replicate.

NCRP worked with the Foundation Center to analyze and organize current giving patterns, including information on 1,200 of the largest national foundations. A three-year timeframe was used in order to establish fair and reasonable benchmarks and to look specifically at the most recent years for which data are available. The survey received a response from 809 foundations and found a combined three-year average giving of $14,926,350,872 across 111,218 grants. Thought this in-depth examination of past giving and grants, NCRP uncovered four different benchmark criteria areas. And attached to each area of focus are specific metrics that were found in grantmaking organizations having the biggest impact in the communities they seek to serve.

- **Values** – A successful grantmaker serves the public good by contributing to a strong, participatory democracy that engages all communities.
    - Provides at least *50 percent* of grant dollars to benefit lower-income and marginalized groups as well as communities of color
    - Provides at least *25 percent* of grant dollars for advocacy, organizing, and civic engagement to promote equity and justice in our society

- **Effectiveness** – The impact of the grantmaker is increased by investing in the health, growth and effectiveness of its nonprofit partners.
    - Provides at least *50 percent* of grant dollars for general operating support
    - Provides at least *50 percent* of its grant dollars as multi-year grants
    - Ensures that the time to apply for and report on the grant is commensurate with grant size

- **Ethics** – A successful grantmaker improves its impact by demonstrating accountability to the public, its grantees and constituents.
    - Maintains an engaged board of at least five people who include among them a diversity of perspectives and who serve without compensation
    - Maintains policies and practices that support ethical behavior
    - Discloses information freely

- **Commitment** – A successful grantmaker serves the public good by engaging a portion of its financial assets in pursuit of its mission.
    - Pays out at least *6 percent* of its assets annually in grants
    - Invests at least *25 percent* of its assets in ways that support its mission

Full text can be accessed via the following link: http://www.ncrp.org

"Broad Benefits: Health-Related Giving by Private and Community Foundations"
Phillip Swagel, PhD
June 2009

In this article Phillip Swagel sets out to determine the degree to which foundation health grantmaking provides benefits to underserved populations, including the economically disadvantaged, racial and ethnic minorities, and other groups.

Swagel's findings rely on a two-step analysis. He begins by reviewing the Foundation Center's database to determine the share of health-related grants that are expressly coded as benefiting underserved communities. However, many of the grants that provide substantial benefits to underserved populations are not expressly coded as such. Swagel notes that nearly half of all health-related grants made in recent years lack beneficiary group coding. In order to address this incomplete coding Swagel then examines a sample of 200 health-related grants not coded as benefiting underserved groups to assess the extent to which they provide benefits to these groups. This analysis relied heavily on demographic and geographical information, as well as information from IRS filings, to quantify how much of a grant for a healthcare nonprofit in a particular area provides benefits to underserved groups.

Methodological Challenges
Swagel notes three substantial methodological challenges: (1) which persons constitute an under-served community; (2) which expenditures at a particular nonprofit should count as having served target populations; and (3) what it means to "benefit" from philanthropic giving. To this third point Swagel presents the example medical research on diabetes. Such research clearly benefits the overall population; yet low-income individuals suffer a higher incidence of diabetes, and minority groups such as African-Americans are at an elevated risk. He argues that on the one hand these communities would benefit more from advances in treatment or a cure. However, on the other hand, he notes that they may not benefit since low-income and minority communities have poor access to quality care.

Principal Findings
The author estimates that 68 percent of health-related grant dollars between 2005 and 2007 benefit racial and ethnic minorities, the economically disadvantaged and other groups. Swagel concludes that foundations have supported those in society who most need help in a financially significant way and that it should not be assumed that, "an absence of express coding of underserved beneficiaries of grants means that the grant helps only those not in need."

Full text can be accessed via the following link:
http://www.philanthropycollaborative.org/BroadBenefits061109.pdf

How Public is Private Philanthropy: Separating Reality from Myth
Evelyn Brody and John Tyler
Philanthropy Roundtable, June 2009

The debate over the appropriate relationship between philanthropic institutions and government, though not new, has taken on more urgency in recent years with a growing number of legislative proposals to expand state oversight and involvement in foundation decision-making.

According to Brody and Taylor, proponents of greater public oversight and involvement make three arguments: (1) state attorneys general have the authority to regulate philanthropic organizations on *Parens Patriae* grounds, and thus have broad authority from determining what is a charitable purpose to governance of philanthropic organizations; (2) philanthropic institutions are "state actors" as they are chartered by the state, thus making them subject to both public accountability and other constitutional mandates required of the state; and (3) resources managed by philanthropic organizations are in fact "public money" as they are subsidized by the state through favorable tax treatment.

Brody and Tyler respond to each argument in turn. The authors note that oversight was historically undertaken to ensure that philanthropic institutions actually pursued charitable rather than private purposes. The broad investigative powers of the state to ensure compliance with charitable fiduciary duties are not contested. However, the authors argue that current proposals amount to a dramatic expansion of authority that would move the state from investigation and oversight into directing a foundation's structure and grantmaking.

As to the argument that philanthropic institutions are "state actors," the authors turn to case law from 1955 in the Board of Regents of the University of Maryland v. Trustees of the Endowment Fund of the University of Maryland. In this ruling Judge Posner states that, "the legislature also authorizes the creation of business and professional corporations, not to mention religious and charitable corporations, without thereby acquiring a right to confiscate such entities." In addition, the authors argue that the Supreme Court's ruling in 1819 in Trustees of Dartmouth College v. Woodward that the charter of a nonprofit corporation is protected by the Contracts Clause of the Constitution and may not therefore be unilaterally amended by a state legislature.

Brody and Tyler note, in regards to the "public money" claim that if philanthropic assets are indeed public money than, "there are few principled limits on the right of the public to direct philanthropies and their funds." They argue that giving the state control over governance, programmatic and operational issues would be to treat organizations that have only a passive interaction with the state (favorable tax status) more severely than organizations that receive direct federal support through grants. Furthermore, they note that both individuals and businesses benefit from tax-favored treatment but their assets and resources do not thereby become public, nor are they transformed into government entities. They also note that many proponents fail to address the fact that the vast majority of philanthropic assets come from private dollars. Finally, the authors argue that a government contract or grant is not a right and thus may come with many conditions, yet philanthropic organizations are not engaging in such contracts and are protected by a fundamental principal of free speech and association.

Full text can be accessed via the following link:
http://www.philanthropyroundtable.org/files/Public_Private%20Monograph_high%20res_Final.pdf

Increasing Impact, Enhancing Value: A Practitioners Guide to Leading Corporate Philanthropy
Christopher Pinney
Council on Foundations, 2012

This report examines current practices within the field of corporate philanthropy and lays out an agenda for moving forward. It notes that corporate philanthropy is increasingly bifurcated and in limbo, looking for direction and leadership. With the belief that the field is ready to move beyond its current state, it suggests that there is a need to:

- *Create a new narrative for corporate philanthropy as an investment in society.* Move from companies perceiving their philanthropy as charity to viewing their philanthropy as contributors to breakthrough collaborations and innovations that address complex social challenges.

- *Develop an inclusive "operating system" for philanthropic investment.* Move from using charitable contributions as the singular investment tool to developing an "investment portfolio" model that aligns giving and rallies corporate assets to benefit society and drive business success.

- *Professionalize the field***.** Shift focus from primarily managing contributions to a practice where corporate philanthropy is an essential, integrated business leadership function and is considered a professional field.

- *Improve collaboration, communication, and knowledge sharing.* Currently, practitioners are neither effectively communicating the value and impact of corporate philanthropy to the public nor successfully collaborating or sharing knowledge within the field. Instead, the field needs to enhance its external leverage through a powerful platform for communication and collaboration.

- *Mobilize "field level" leadership behind this agenda***.** Currently, the corporate philanthropy field lacks a unifying mechanism to address the need for leadership and change. Instead, with individual leaders at its nucleus, the corporate philanthropy field can commit to increasing impact, enhancing value, and supporting transformation.

The full report can be found at:
http://www.cof.org/files/Bamboo/whoweserve/corporate/documents/CorporateGuide.pdf

Philanthropy and the Media

Truth on the Sidelines: Philanthropy and Foundations in the Media
Douglas Gould and Co.
Presentation to The Communications Network, September 2003

High Expectations, High Opportunity
Philanthropy Awareness Initiative, 2009

Moving Beyond the Money: News Coverage that Conveys a Broader Vision of Foundations
Philanthropy Awareness Initiative, 2010

Truth on the Sidelines: Philanthropy and Foundations in the Media
Douglas Gould & Co., Inc
Presentation to The Communications Network, September 2003

The Communications Network commissioned a study to analyze media coverage of philanthropy and the nonprofit sector that reveals that media coverage of the philanthropic sector has trended negative in 2002-2003 from the period five years earlier. (Note: these two periods coincide with the boom years of philanthropy and the post 9/11 period during which there have been increased scrutiny.)

The study examined media stories found in 24 print, broadcast, and electronic outlets from July 2002-January 2003 and the same period five years earlier focused on philanthropy/charitable giving. In addition, a snapshot for a more recent period, May-July 2003 was conducted that focused specifically on foundations that coincides with the debate over HR 7.

Findings:

- Major gaps in coverage of philanthropy: Most coverage in major newspapers; relatively sparse coverage in national outlets (USA Today, Wall Street Journal, NPR) and in the south and middle of the country.
- Spotty coverage of foundations: including the Los Angeles Times, and no op-ed piece in the foundation sample was authored by a foundation executive.
- The relatively sparse broadcast stories coverage indicates that philanthropy may not be seen as national issue or good television; nevertheless, it should be remembered that most of the public gets news from television.
- Few opinion pieces: Leaders in philanthropy are not responding to current events and are failing to shape public opinion through the media.
- Recommend increased visibility and voice on issues affecting foundations, promote the good philanthropy does, shape your image as a community before others shape it.

The full text can be accessed via the following link:
http://www.douglasgould.com/resources/Truth%20on%20the%20Sidelines%20FINAL.pdf

High Expectations, High Opportunity
Philanthropy Awareness Initiative, 2009

This report presents findings from a survey commissioned by the Philanthropy Awareness Initiative (PAI) and conducted online by Harris Interactive in four waves: May 2007, January 2008, August 2008, and January 2009 of "engaged Americans", those that hold a leadership, committee or board position in an organization working on community or social issues. The findings from the first two waves of surveys were discussed in the previous report, *Philanthropy's Awareness Deficit*. The major focus of this report is on the last two waves of survey results that focused mostly on expectations of philanthropy.

Principal Findings
Engaged Americans have little understanding of the role and impacts of philanthropic foundations. In fact, fewer than two in ten could name a specific example of a foundation impact on their community, and only thirty-eight percent could name a foundation on the first try. With regard to expectations the survey found the following:

- Foundations should voluntarily shift funding priorities to help the nation address the fallout from the current economic downturn.

- Foundations need to be innovative and find solutions to the most pressing societal problems.

- Engaged Americans oppose government mandates requiring foundations to take specific actions, and in general feel that foundations should be independent from government.

- Foundations should be accountable to the public, more effective, transparent, and perpetual in funding of causes and organization.

Looking to the Future
The survey results indicate that engaged Americans have a broad misunderstanding of the scale and scope of foundations and their work. This suggests that foundations have an opportunity to inform the public about their role, to reshape some unrealistic expectations and to ensure flexibility and independence from future government mandates. The value of such an effort is reinforced by the survey results that indicate that the more engaged Americans know about foundations the more they support them.

Full text can be accessed via the following link:
http://www.philanthropyawareness.org/sites/default/files/High%20Expectations,%20High%20Opportunity.pdf

Moving Beyond the Money: News Coverage that Conveys a Broader Vision of Foundations
Philanthropy Awareness Initiative, 2010

This report presents the first case study in a series designed to teach foundations how to move media coverage beyond money to explore the thinking and strategy behind a grant or to highlight the range of roles that foundations play in society. Using both a Wall Street Journal (WSJ) article and a National Public Radio (NPR) story about the launch of a $50 million Ford Foundation project to get houses out of the hands of banks and into the hands of homeowners, the report examines the steps that the Ford Foundation took to shape media coverage of its investment. By taking the time to develop a broad frame and stress key messages, the Ford Foundation was able to shift news focus away from the dollar amount of the grant to communicate a broader vision of philanthropy, specifically its unique use of risk capital to address the housing crisis in the United States.

How the Ford Foundation secured a positive outcome:

- The housing project addressed a problem high on the national radar and held the promise of a workable solution. The dollar amount was also significant.

- The Ford Foundation took the time to craft a broader frame about its role beyond grant making and prepared staff to convey key message points succinctly.

- The Ford Foundation offered the WSJ reporter an exclusive, which allowed him to take some time to flesh out the story so it went beyond a merely transactional news item.

- The Ford Foundation's communications team invested a lot of time to brief the WSJ reporter, answer questions, confirm facts and prepare him for interviews with the relevant program officers and the foundation's president.

- The foundation helped the NPR reporter meet a tight deadline by providing concise background information and quick access to the program director.

While dealing with the media is always a gamble, there are opportunities for foundations to help shape coverage if they prepare well, crystallize their key message points and train staff who will be speaking with reporters to stay on message. Since journalists are often on tight deadlines and hard pressed for time, it is incumbent upon foundations to show them how a specific grant fits with its overall strategy and mission.

Full text can be accessed via the following link:

http://www.philanthropyawareness.org/sites/default/files/Moving%20Beyond%20the%20Money--Case%20Study%20Two.pdf

THE NONPROFIT SECTOR

General

Non-Profit Governance in the United States: Findings on Performance and Accountability from the First National Representative Study
Francie Ostrower
The Urban Institute, 2007

"Delivering on the Promise of Nonprofits"
Jeffrey L. Bradach, Thomas J. Tierney and Nan Stone
Harvard Business Review, December 2008

"The Nonprofit Marketplace: Bridging the Information Gap in Philanthropy"
Maisie O'Flanagan, Jacob Harold, and Paul Brest
McKinsey & Company and the William and Flora Hewlett Foundation, 2008

"Four Futures"
Paul Light
The Nonprofit Quarterly, 2008

Human Service Nonprofits and Government Collaboration: Findings from the 2010 National Survey of Nonprofit Government Contracting and Grants
Elizabeth T. Boris, Erwin de Leon, Katie L. Roeger and Milena Nikolova
Center on Nonprofits and Philanthropy, Urban Institute, October 2010

Costs, Complexification and Crisis: Government's Human Services Contracting "System" Hurts Everyone
National Council of Nonprofits, October 2010

Beyond the Cause: The Art and Science of Advocacy
The Independent Sector, September 2012

"Nonprofit Governance in the United States: Findings on Performance and Accountability from the First National Representative Study"
Francie Ostrower
The Urban Institute, 2007

Nonprofit boards are increasingly a focus of those interested in greater accountability and transparency. To help inform current policy debates and initiatives to strengthen nonprofit governance, the Urban Institute conducted the first ever national representative survey of nonprofit governance in 2005, with over 5,100 participants.

This report presents survey findings discussing:

- Relationships between public policy and governance
- Factors that promote or impede board performance and basic stewardship
- Factors associated with board diversity and recruitment processes, including the difficulty experienced by many nonprofits in finding members

Legislative Policy Environment
A major point of this study is that the impact of policy extends beyond nonprofit legislative proposals. An important development shaping thoughts about nonprofit governance today was the passage of the Sarbanes-Oxley Act, legislation intended to deter fraud in the corporate sector. Developments in the corporate sector not only shape wider expectations about governance that influence nonprofits but board members that sit on both corporate and nonprofit boards serve as a channel through which corporate practices are brought into the nonprofit world.

Financial Transactions between Nonprofits and Board Members
Another major purpose of this study is to identify factors associated with promoting or impeding board responsibilities related to overseeing and supporting the organization and its mission. Attention to accountability and concerns about loss of public legitimacy should not obscure attention to performance and effectiveness. We have to ask not only whether nonprofit boards have various practices and policies in place to avoid malfeasance but whether they are actively ensuring that the organization's mission is accomplished. Wide variations were found including evidence that significant percentages of boards are not active when it comes to carrying out some basic stewardship responsibilities such as fundraising, executive director monitoring, community relations, and public education.

Board Compensation, Performance, and Composition
A third and related purpose of this study is to draw greater attention to board composition and recruitment processes. Findings show that efforts to strengthen nonprofit governance have insufficiently dealt with the fact that growth in the number of nonprofits has created difficulty in finding board members and that this is an important factor associated with low levels of board engagement. To promote adoption of strong practices and policies and their implementation requires an engaged and dedicated board. Whatever the reasons for the difficulty, initiatives are clearly needed to enlarge the available pool of board members. Furthermore, low level of ethnic diversity on many boards raises questions about nonprofit boards' ability to be responsive to the constituencies served by many nonprofits.

Full text can be accessed via the following link:
http://www.urban.org/UploadedPDF/411479_Nonprofit_Governance.pdf

"Delivering on the Promise of Nonprofits"
Jeffrey L. Bradach, Thomas J. Tierney, and Nan Stone
***Harvard Business Review*, 2008**

Increasingly, nonprofit directors and boards are committed to improving and better understanding their organizations' social impact. But they are also facing mounting pressure, by funders both private and public, to orient the sector more toward market forces rather than general mission statements that undermine their ability to focus on tangible outcomes.
Every organization faces unique challenges and opportunities, and it is important for nonprofit leaders to reflect those realities during the direction and decision-making process. To develop pragmatic plans for making a difference, nonprofit leaders should answer several interdependent questions, suggested as a framework for change:

- *Which results will we hold ourselves accountable for?*
  To encourage accountability a strong *intended-impact* statement will help identify both the beneficiaries of a nonprofit's services and the real benefits the organization will provide, including the change in behavior or knowledge its programs are designed to effect. Important aspects to consider in an intended-impact statement are the organization's values, available data, and a willingness to make tough decisions regarding programmatic change.

- *How will we achieve them?*
  The *theory-of-change* is a detailed explanation of how the organization will achieve its intended impact and is critical to answering the question of achievement. The process ensures that stakeholders understand why strategic decisions are being made as they are. Throughout this iterative process assumptions about programs and services that can then be tested and revised as necessary are unearthed. Also, it is critical that a strong theory-of-change is broad enough to show the scope of an organization's beliefs about how social change occurs but specific enough to allow decision makers to map programs and resources against it.

- *What will results really cost, and how can we fund them?*
  It is important to understand the full costs of current programs and how each is affecting the organization's overall financial health. Knowing details of a program's costs, if it requires a subsidy, or it is self-sustaining can inform the nonprofit of its strength and impact. In short, nonprofit leaders should bring both funding and strategy into alignment in order to develop a secure funding base. This can be done by clearly articulating the specific programs in need of financial support, and identifying appropriate funding sources to meet those needs.

- *How do we build the organization we need to deliver results?*
  When it comes to delivering and sustaining results, it is more important to have a well-trained staff than to have the right strategy or a reliable source of funding. Nonprofits tend to be lead by passionate individuals, but they are also often undermanaged. Correction can be made regarding leadership by creating better processes that encourage support and professional development and building leadership capacity by recruiting and retaining skilled managers.

Together, these questions create a framework that executive directors can use in conversations with funders and other stakeholders in developing more specific plans for making a tangible difference.

Full text can be accessed via the following link:
http://hbr.harvardbusiness.org/2008/12/delivering-on-the-promise-of-nonprofits/ar/1

"The Nonprofit Marketplace: Bridging the Information Gap in Philanthropy"
Maisie O'Flanagan, Jacob Harold, and Paul Brest
McKinsey & Company and the William and Flora Hewlett Foundation, 2008

Each year, about $300 billion in philanthropic giving is distributed to more than one million nonprofit organizations in the United States. While these organizations address some of the most challenging issues of our time and provide essential services to those in need, there is no way to gauge if resources are going to the highest performers. Giving decisions often made based on the need of the program rather than the efficiency of service delivery, and donors typically have limited information about social issues and how best to address them. This paper explores foundation level understanding of the information available today, and identifies opportunities to improve information transparency, access, quality, and utility.

The nonprofit marketplace lacks the robust flow of timely, accurate information that is a hallmark of high-performing markets such as stock exchanges, commodity markets, or eBay. To bridge this gap, the sector must capture, analyze, distribute, and use information on nonprofit organizational performance and social impact more effectively. Unfortunately, data measuring outcomes for beneficiaries are notoriously difficult to capture. Moreover, there is no uniformly accepted way to measure social impact, and no single repository for information about nonprofit activities and results. This information-poor environment makes it difficult to have honest conversations about performance, limiting opportunities for learning and improvement.

Despite this, progress and change is occurring. There is an increasing agreement among nonprofit organizations on how to define and measure performance and impact, and increasing use of tools to measure, manage, and communicate progress and results. A growing number of nonprofits share this information online as well. High-net-worth donors and foundations are asking more questions about results and engaging in meaningful dialogue with their grantees about their work and aspirations. Intermediaries are aggregating nonprofit information and adding more value through interpretation and benchmarking. And private-sector players like banks, search engines, and financial advisors indicate growing interest in philanthropy.

Creating an effective and efficient nonprofit marketplace requires commitment, continuing collaboration, and well-executed strategies. Participants must work together to make the transformation happen. To accelerate these changes, the paper suggests the following framework for action:

- Improving the supply of information assessing nonprofit organizational and operational performance (how well is the organization run?) and social impact (to what extent is the organization achieving its intended goals and outcomes?)
- Increasing donor demand for nonprofit performance and impact information
- Strengthening intermediary organizations that facilitate interactions between donors and nonprofits, provide value-adding services, and help improve donor decision making and nonprofit performance.

Full text can be accessed via the following link:
http://www.givingmarketplaces.org/materials/whitepaper.pdf

"Four Futures"
Paul Light
***The Nonprofit Quarterly*, 2008**

During these troubled times, what lies in store for the nonprofit sector, and what do we need to do about it? This article presents four potential futures as well as suggestions on how the nonprofit industry can move ahead.

- *The Rescue Fantasy* – in this scenario the American people realize the even greater need during tough economic times and continue their generosity that sustains nonprofits into the future. Unfortunately however, most nonprofits are heavily reliant on government grants for overall support, a funding source that is unreliable even if donors themselves are more generous.

- *A Withering Winterland* – every nonprofit in the sector suffers from the economic downturn with decreased amounts from both fundraising and foundation support. In this more likely scenario, nonprofits will be forced to scale back operations and layoff staff members, ironically contributing too many of the social problems they seek to repair.

- *An Arbitrary Winnowing* – in this most likely scenario, a rebalancing of the sector occurs moving toward larger, richer, and fewer organizations. Some nonprofits lose funding and will shut doors while the larger and more visible organizations receive more focus and support.

- *Transformation* – with a faltering economy, nonprofits are presented with an opportunity to creatively reinvent themselves by focusing on their most productive areas of service.

The sector's infrastructure is left with several tasks to help aggregate decisions into a best possible future. Through these changes, nonprofits should ensure there is always a voice for the less powerful in decision making, that public advocacy and dialogue regarding philanthropy will continue, and that the sector always stays flexible to keep pace with a new era.

Full text can be accessed via the following link:
http://www.nonprofitquarterly.org/content/view/5/26/

Human Service Nonprofits and Government Collaboration: Findings from the 2010 National Survey of Nonprofit Government Contracting and Grants

Elizabeth T. Boris, Erwin de Leon, Katie L. Roeger and Milena Nikolova
Center on Nonprofits and Philanthropy, Urban Institute
October 2010

This report offers a comprehensive look at the scope of government contracts and grants with human service nonprofits in the United States and documents the problems that arise based on a random sample of human service organizations with more than $100,000 in expenses in eight service program areas. It examines how these nonprofits were affected by the recession, how they responded to shrinking revenues and how flaws in government contracting practices intensified their budget woes. While pain from the recession may have been unavoidable, better government management of contracts and grants could have at least avoided adding to nonprofits' financial stress.

Key findings include:

- Nonprofits reported numerous problems with government funding, some of which were made worse by the recession. With the recession in full swing, 31 percent reported that their experience with government was worse in 2009 than in prior years; about 64 percent said it was the same; and just 5 percent said it was better.
- As the recession cut deeply into tax revenues, many state governments slashed nonprofit funding. Individual contributions also dropped, just as the need for human services was on the rise. More than half the nonprofits reported reduced revenues from state government agencies, donations, and investment income. Forty-two percent ended 2009 with a deficit. To stay afloat, nonprofits froze salaries and dipped into reserves, where available. There was also deep concern over the hollowing of organizational capacity that may take years to rebuild, if ever.
- Nonprofits that had problems with government contracting were significantly more likely than nonprofits without problems to report cutbacks. For many, the ongoing problems with government contracting intensified their budget troubles during the recession.
- Some states reported fewer problems than others, suggesting that policies in those states might provide clues to more effective practices.

Government policies and practices play a substantial role in the ability of nonprofits to carry out their missions. While there are signs that the recession might be easing, state budget shortfalls are projected for fiscal years 2011 and 2012; they are estimated to reach $300 billion. If state and federal cutbacks continue and donations and investment income fail to recover in the next year or so, the strain on human service organizations is likely to reach a critical level.

Full text can be accessed via the following link:
http://www.urban.org/uploadedpdf/412228-Nonprofit-Government-Contracting.pdf

Costs, Complexification and Crisis: Government's Human Services Contracting "System" Hurts Everyone
National Council of Nonprofits
October 2010

This report by the National Council of Nonprofits provides additional context to the findings in the Urban Institute's report on government contracts and grants with human service nonprofits in the United States. It explains how the contracting problems affect everyone in America, not just nonprofits. The report also identifies specific practices that contribute to the problems nonprofits are experiencing, and proposes solutions that nonprofits, government officials, funders, and citizens can adopt to improve services, restore value for taxpayers, and provide better benefit to communities.

The five major problems that human service nonprofits are experiencing:

1. *Governments Failing to Pay the Full Costs:* When governments do not pay the full costs of the services, nonprofits must divert time and resources trying to make up the difference, thus limiting attention on delivery of services to those in need.

2. *Governments Changing the Terms of Contracts Mid-Stream:* When governments change the terms of their written agreement mid-way through performance, it hurts the people the programs are designed to help, weakens communities by undercutting trust in government, and destabilizes the organizations that governments and taxpayers rely on to fulfill their obligations.

3. *Governments Paying Late:* Failure by governments to pay their bills when they are due amounts to an unreasonable taking – essentially forcing nonprofits to involuntarily bankroll the government services they provide.

4. *Complex Contracting Processes:* Red tape and other government contracting policies and bidding practices routinely impose avoidable inefficiencies on nonprofits, thereby creating waste, eroding productivity by diverting staff time from serving individuals, and reducing the amount of services actually delivered to individuals and communities in need.

5. *Complex Reporting Requirements:* Reporting and oversight processes that once made sense can run amuck when needlessly duplicated, resulting in higher costs to taxpayers without adding value and diverting resources from delivery of needed services.

There is no simple "one size fits all" solution, but addressing these problems will not necessarily require big investments of money. Most of the dozens of solutions offered require intent and discipline in follow-through to make things happen. Stakeholders at each level of government – federal, state, and local – will need to decide which solutions would provide the most relief.

Full text can be accessed via the following link:
http://www.govtcontracting.org/sites/default/files/Costs%20Complexification%20and%20Crisis.pdf

Beyond the Cause: The Art and Science of Advocacy
The Independent Sector
September 2012

This comprehensive, 268-page report looks at how philanthropy and the nonprofit sector can influence public policy. Specifically, it examines what approaches and strategies lead to successful advocacy efforts and how well nonprofits engaged in sector-wide advocacy perform. Findings are based on surveys, over 100 interviews, and public information from 528 nonprofits.

Five essential elements of successful advocacy are reported:

1. *Sustain a focus on long-term goals*. It often takes 10-25 years for nonprofits to advance their policy agenda. Keys to success are to work backwards from long-term goals, to be proactive, and to alter tactics as necessary.
2. *Prioritize "building" elements for successful campaigns*. "Campaign" activities should be considered distinct from "building" activities – and priority should be placed on the latter. This ensures that an organization's relationships, reputation, and expertise accumulate over time and can be deployed when opportunities arise. Campaign activities are efforts to promote or block a specific policy proposal, executive order, or government action. Building activities include such things as: cultivating relationships, securing resources, researching issues, developing communications systems and creating processes to mobilize constituents.
3. *Consider the motivations of public officials.* Invest time in understanding the federal policy environment and the players, both elected and appointed. Conduct analyses that identify which public officials to target, who has the power, as well research into the backgrounds of select officials, including their connections and the priorities of their constituents. Research results should seek to answer what is likely to motivate public officials to action.
4. *Galvanize coalitions to achieve short-term goals.* Coalitions can be useful to aggregate the diverse elements needed to be effective including: a strong research capability, stakeholders in key states, access to targeted administration officials, a politically connected community, media access, staff expertise, etc. Successful coalitions tend to form around a specific issue at a given time and then disband or retool for the next issue.
5. *Ensure strong, high-integrity leadership.* Leadership is important to effective advocacy. Honesty, sincerity and being viewed as an "honest broker" of information enhance the credibility of campaigns. Leaders of effective organizations have access to and relationships with public officials, allies, and others on different sides of the ideological spectrum. Leaders also motivate staff, volunteers, colleagues, and others to action.

The full report can be found at:
http://www.independentsector.org/uploads/advocacystudy/IS-BeyondtheCause-Full.pdf

The executive summary and report highlights can be found at:
http://www.independentsector.org/advocacy-study/Highlights/

Nonprofit Leadership and Capacity-Building

"Departing? Arriving? Surviving and Thriving: Lessons for Seasoned and New Executives"
Tom Adams
The Nonprofit Quarterly, Winter 2002

Ready to Lead? Next Generation Leaders Speak Out – A National Study
Marla Cornelius, Patrick Corvington, Albert Ruesga
CompassPoint Nonprofit Services, the Annie E. Casey Foundation and the Meyer Foundation, 2008

Daring to Lead 2011: A National Study of Nonprofit Executive Leadership
Marla Cornelius, Rick Moyers, and Jeanne Bell
CompassPoint Nonprofit Services and the Meyer Foundation, 2011

"Departing? Arriving? Surviving and Thriving: Lessons for Seasoned and New Executives"
Tom Adams
***The Nonprofit Quarterly*, Winter 2002**

This article offers practical guidance to exiting and entering leaders of nonprofits, particularly founders and tenured executive directors. Because most transitions are "non-routine" and failed ones result in high costs to the organization and communities, they present a unique opportunity to capitalize on the "pivotal moment" of change.

Issues to Consider for Exiting Executives:

- Making a Decision: What is right personally needs to come first – answer tough question about departing by seeking trusted advice and try to avoid public exploration. Then, assess how ready the organization is for the transition. Consider hiring a consultant to help identify what strengthening actions are needed prior to a public announcement and then to help implement them.

- Grooming Your Successor? Think Again: There are few cases of successfully grooming an internal successor. It is ultimately up the board, who usually want a fresh perspective. In addition, senior managers in the organization are usually best suited for the positions they hold, and their stability in their current roles will help with transition. However, they may be suited for leadership of the organization after the organization hires an interim executive director.

- Setting Boundaries for Your Role**:** During the private phase of the transition, ready the organization by addressing conditions that may derail or challenge the successor, including identifying idiosyncrasies that may be helpful. The founder and board must then agree upon the best approach to the public transition, ranging from "hands-on management," to "on-call resource," to "hands off." The post transition role for the founder should be as advisor, only if necessary and desired. Long-term involvement is not advised.

Tasks for Entering Executives

- Getting Connected: It is critical to pay attention to key relationships and hold one-on-one meetings prior to beginning work.

- Learning the Organization: Prior to accepting the position, talk to people and research documents to take inventory of the fundamental realities of the organization's position. When you lack the expertise to assess the situation, bring in help.

- Setting Direction and Priorities: The obvious, yet often overlooked, tool to communicate direction and goals early is a work plan. If one exists, review and update it, and if not, create one with the board and staff, along with formal evaluations.

The full text can be ordered via the following link:
http://store.nonprofitquarterly.org/

Ready to Lead? Next Generation Leaders Speak Out – A National Study
Marla Cornelius, Patrick Corvington, Albert Ruesga
CompassPoint, Annie E. Casey Foundation and Meyer Foundation, 2008

This report follows-up the findings in *Daring to Lead 2006*. Participants were selected from two universes: (1) members of idealist.org and (2) constituents of CompassPoint Nonprofit Services.

Daring to Lead found that three out of four nonprofit executive directors planned to leave their position within the next five years due to factors such as inadequate compensation, burnout and heavy fundraising responsibilities. Emerging nonprofit leaders are aware of these challenges and over two thirds reported having financial qualms about committing to nonprofit careers. Respondents also cited a lack of support and mentorship from incumbent executives. This is bolstered by recent data indicating that less than one third of nonprofit chief executives are internal hires. Despite this hesitancy, one in three respondents aspires to be an executive director someday. Of those, 40 percent report being "ready to lead" within five years. People of color were 10 percent more likely than whites to desire to hold nonprofit leadership positions.

The report recommends current executive directors:

1. Replace dated power structures that alienate emerging leadership.
1. Empower staff to build strong external networks and mentor emerging leaders.
2. Be a good role model by maintaining a healthy work-life balance.
3. Pay reasonable salaries and provide benefits.
4. Engage in succession planning to cultivate future leaders and plan for leadership change.
5. Recognize generational differences in attitudes and work experience.

The report recommends that next generation leaders:

1. Take initiative in controlling their careers.
2. Develop broad management skills including budgeting, grant-writing, and supervision.
3. Join a board, find a mentor, and work with a coach.
4. Respect generational differences and focus conversations on solutions.

The report recommends that boards of directors:

1. Pay reasonable salaries and provide benefits.
2. Ensure strong leadership beyond the executive director by developing other staff in the organization.
3. Hire younger leaders with diverse backgrounds and leadership styles that differ from the board.

The report recommends that nonprofit training and leadership capacity builders:

1. Update training to be relevant to your audience and focus training on "hard" skills like budgeting, grant-writing, and supervision.
2. Help next generation leaders build their external networks.

The report recommends that funders:

1. Support leadership and training programs.
2. Ask your grantees about their efforts to support emerging leaders.

The full text can be accessed via the following link:
http://www.compasspoint.org/assets/521_readytolead2008.pdf

Daring to Lead 2011: A National Study of Nonprofit Executive Leadership
Marla Cornelius, Rick Moyers, and Jeanne Bell
CompassPoint Nonprofit Services and the Meyer Foundation, 2011

Since publication of *Daring to Lead 2006*, executives are challenged by the deep recession that has resulted in fewer resources for most of their nonprofits while many are responding to increased demands for the services they provide. On the other hand, there are some more favorable policies adopted by the Obama administration and nonprofit-led progress on various social movements that are providing these executives greater opportunities.

This report discusses three key findings:

1. Though slowed by the recession, projected rates of executive turnover remain high and many boards of directors are not well prepared to select and support new leaders.
2. The recession has amplified the chronic financial instability of many organizations, causing heightened anxiety and increased frustration with unsustainable financial models.
3. Despite the profound challenges of the role, nonprofit executives remain energized and resolved.

The survey found that a number of key practices associated with effective executive transition are not widespread. Executives and boards are still reluctant to talk proactively about succession and just 17% of organizations have a documented succession plan. Even more problematic is the extent to which many boards are unfamiliar with the dimensions of the roles and responsibilities of their executives.

The report finds that the recession has only exacerbated an endemic challenge of leadership in the nonprofit sector: developing a sustainable business model that fully finances a nonprofit's desired impacts and allows for strategic organizational development and growth over time.

The survey also found that executive time invested in working with boards of directors was notably low. Sixteen percent of executives reported spending fewer than five hours per month on board-related activity and 39 percent spend between 5-10 hours per month, just 6 percent of their time overall.

In response to these key findings, the report provides four specific "calls to action:"

1. Plan for successful transitions.
2. Advance understanding of nonprofit financial sustainability.
3. Expand and diversify the professional development options available to executive directors.
4. Find new ways to improve the performance and enhance the composition of boards.

The full report can be found at:
http://www.meyerfoundation.org/newsroom/meyer_publications/DaringtoLead2011

Nonprofit Infrastructure

"The Future of the Infrastructure"
Jon Pratt
The Nonprofit Quarterly, Infrastructure 2004

"The National Organizations of the Nonprofit Sector Infrastructure"
The Nonprofit Quarterly, Infrastructure 2004

"Why Every Foundation Should Fund Infrastructure"
Cynthia Gibson and Ruth McCambridge
The Nonprofit Quarterly, Infrastructure 2004

"The U.S. Nonprofit Infrastructure Mapped"
David O. Renz
The Nonprofit Quarterly, Winter 2008

"The Future of the Infrastructure"
Jon Pratt
***The Nonprofit Quarterly*, Infrastructure 2004**

Pratt recognizes that the development of a nonprofit infrastructure is far behind that of both private-sector and public-sector infrastructure. He argues that while nonprofits have undergone substantial financial growth and visibility, they have not achieved the full reach of their potential. Although huge advances have been made in the field of nonprofit infrastructure, Pratt argues that several important developments are necessary for the industry to take the next steps.

As such, Pratt proposes twelve ideas for the nonprofit sector's next stage of development. They are:

1. Identify and focus on the primary constituency for infrastructure support.
2. Build up a strong national lobby.
3. Define a public policy agenda.
4. Ensure effective learning and information sharing.
5. Support an informed public.
6. Counter fragmentation.
7. Bridge theory and practice.
8. Develop and nurture sector-appropriate theories of nonprofit management.
9. Support the development of a well-trained and highly motivated workforce.
10. Enhance access to appropriate information and professional services.
11. Concentrate on "small L" leadership development.
12. Devise a "business plan" for further development and maintenance of the infrastructure.

Pratt emphasizes the need for the sector to identify its audience more precisely by making distinctions between primary and secondary constituents. He argues that the primary constituency with the greatest needs is small to midsize organizations that focus on human services, arts and culture, employment and job training, economic development, and health. Pratt identifies the key challenge in supporting the nonprofit sector in finding a way to fund the cost of supporting these smaller organizations.

Pratt also argues that it is necessary to segment which parts of the sector should receive support from public funds, user fees, or philanthropy. He outlines a continuum of potential market support for infrastructure activities in an attempt to identify means of effectively funding this work.

The full text is no longer available electronically, but hard copies may be ordered at 617.227.4624 or via the following link:
http://store.nonprofitquarterly.org/backissues.html

"The National Organizations of the Nonprofit Sector Infrastructure"
***The Nonprofit Quarterly*, Infrastructure 2004**

This article provides descriptions of several major infrastructure organizations and maps out the relationship between national, state, regional, and local groups. The organizations described are participants in the national Pocantico Planning Group, which has met over the past few years to discuss the future of nonprofit infrastructure.

The map identifies four levels of infrastructure: local, statewide, regional, and field intermediaries. In addition to these organizations, nonprofit infrastructure is supported by public policy, training and advocacy groups, grantmakers, and national network organizations. The following criteria were utilized to identify the organizations included in this list: 1) the organization must be a 501(c) 3; 2) the organization must only serve charities or their capacity building needs; 3) the organization must have a national scope; and 4) the organization can only be placed in one category based on their mission statement.

The full text is no longer available electronically, but hard copies may be ordered at 617.227.4624 or via the following link:
http://store.nonprofitquarterly.org/backissues.html

"Why Every Foundation Should Fund Infrastructure"
Cynthia Gibson and Ruth McCambridge
***The Nonprofit Quarterly*, Infrastructure 2004**

This article serves as a call to grantmakers to fund nonprofit infrastructure, which is defined as the diverse network of intermediary organizations at the local, state, regional, and national levels that assist nonprofits in becoming more effective, transparent, and accountable. Local and national infrastructure groups depend on each other for networks, data, research, and learning opportunities to assist the nonprofit sector.

The authors identify several roles these intermediary organizations can and do play:

- Advocate for and represent the sector in public policy circles.
- Provide training, management, and other capacity-building services that help make nonprofits more effective.
- Promote accountability and transparency and develop and promulgate better codes of conduct for nonprofits and the sector at large.
- Generate information for and about the nonprofit sector.
- Offer opportunities for individual nonprofits to network and share information.
- Promote philanthropy and volunteerism.

The authors argue that the nonprofit sector is currently facing several serious challenges and greater complexity that demands a stronger infrastructure. With decreased public funding, nonprofits are being called upon to provide more and more services and often find themselves in competition with for-profit providers. In addition, constituent expectations regarding accountability have increased. These changes point to the fact that nonprofits need to be able to learn and adapt quickly in this new market. This adaptation needs to be supported by a robust infrastructure that gathers, aggregates, and circulates information in a timely manner.

The authors also note that support for infrastructure leverages foundations' investments and demonstrates that foundations care about and are willing to contribute toward creating a positive legal, regulatory, and political climate for nonprofits. The article closes by suggesting several ways foundations can support and build nonprofit infrastructure including joining network organizations; funding research and publications about the sector; and offering opportunities for learning among local nonprofits to establish stronger networks.

The full text is no longer available electronically, but hard copies may be ordered at 617.227.4624 or via the following link:
http://store.nonprofitquarterly.org/backissues.html

"The U.S. Nonprofit Infrastructure Mapped"
David O. Renz
***The Nonprofit Quarterly*, 2008**

The Nonprofit Quarterly's maps of the U.S. non-profit infrastructure provide a snapshot circa October 2008 of the dynamic and complex community of organizations and initiatives that comprise the national infrastructure of the U.S. nonprofit sector. The maps provided identify the nonprofit organizations that make up the core of the sector's infrastructure and list them according to the primary roles they play to support the entire nonprofit sector.

In general, infrastructure is the underlying framework or foundation that supports the activities of a system or community. In a social community, the infrastructure is the framework that undergirds and supports members' activities within that community. Each of these key components of the infrastructure addresses one or more aspects of the need to support the effective operation of the overall system or community.

The maps feature the following infrastructure roles and functions:

- Accountability and self-regulation
- Advocacy, policy, and governmental relations
- Financial intermediaries
- Funding organizations
- Donor and resource adviser
- Networks and associations
- Workforce development and deployment
- Education and leadership development
- Capacity development and technical assistance
- Research and knowledge management
- Communication and information dissemination

Full text can be accessed via the following link:
http://www.nonprofitquarterly.org/content/view/5/26/