FOUNDATION GOVERNANCE, LEADERSHIP AND STRATEGY

An Annotated Bibliography

June 2018

ABOUT THE CENTER ON PHILANTHROPY AND PUBLIC POLICY

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 community 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, identify strategies for action and create greater impact.

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PREFACE

For the past fifteen 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.

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Director
The Center on Philanthropy and Public Policy

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FOUNDATION GOVERNANCE AND LEADERSHIP

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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

Opening Up: Demystifying Funder Transparency
Foundation Center/Grantcraft/Glasspockets
February 2014

This guide was developed by GrantCraft and Glasspockets, initiatives of the Foundation Center. It seeks to make it easier for foundations to understand what transparency can mean and what steps they can take to become more transparent. A foundation that operates transparently is one that shares what it does, how it does it, and the difference that it makes in a candid, accessible and timely way. Transparency can help foundations create greater impact by sharing what they know with funders, nonprofits and government. It also can also strengthen foundation credibility, improve grantee relationships, increase public trust and reduce the duplication of effort.

The guide has a series of recommendations that are based on a variety of sources, including 700 responses to a survey of Grantcraft subscribers. Among the recommendations offered are:

1. Share grantee selection processes and grants data
    - Post clear selection guidelines and processes
    - Share easy-to-find staff contact information
    - Create a publicly searchable grants database
    - Join the Reporting Commitment (an initiative of Glasspockets aimed at developing more timely accurate and precise reporting requirements)
2. Share performance assessments
    - Create summaries and infographics of key reports with important takeaways
    - Post unedited responses to grantee surveys
    - Share internally commissioned reports with other funders and on your website
    - Create a “best failure award” and publicize it
3. Strengthen engagement with grantees and other nonprofits
    - Survey grantees and applicants on needs as well as how a foundation might approach initiatives and programs
    - Provide feedback and steps in response to grantee survey results
    - Convene nonprofits to help them learn from one another
    - Create and share useful tools to help your grantees do their work better
4. Improve the practice of philanthropy
    - Convene foundations to discuss shared strategy and programmatic approaches
    - Report on diversity in your foundation
    - Fund projects that support sharing data
    - Organize meetings to explore transparency topics
5. Communicate using every opportunity
    - Build an engaging website
    - Encourage staff to actively tweet and blog to communicate their work
    - Integrate multimedia like video and infographics into traditionally static reports
    - Find one internal document that is useful to an outside audience and publish it

The report is available at the following link:
http://www.grantcraft.org/index.cfm?fuseaction=page.viewPage&pageID=3807

Benchmarking: Foundation Governance
Ellie Buteau and Jennifer Glickman
The Center for Effective Philanthropy
October 2015

This report is a compilation of data about the composition, structures and practices of foundation boards. It is based on survey responses from 64 CEOs or equivalents at private foundations located in the U.S. that give at least $10 million annually. The survey was sent to 246 CEOs for a response rate of 32 percent.

Board Composition and Expertise

- On average, boards had 10 members, six of whom are male and four of whom are female.
- 50 percent of the boards had members that were relatives of the original donor and 22 percent had the original donors serving on the board.
- Half of the foundations had CEOs who serve on boards.
- Nearly all of the boards have at least one member with expertise in investing (95%), accounting/finance (95%), and program specific knowledge (95%); fewer have at least one member with expertise in technology (39%), marketing (54%) or communications (60%).

Board Structure and Practice

- Most boards use committees (81%), with audit (92%) and investment (92%) committees being the most frequent, and executive (34%) and compensation committees (40%) being least frequent.
- 39 percent of boards have discretionary funds from which board members make grants with little or no staff involvement, the median was $50,000 per member.
- More than half (59%) of foundations delegate approval authority to staff for grants below a certain amount; the median dollar amount not requiring board approval was $125,000.
- About two-thirds (67%) of foundations have fixed terms for their board members, almost half (48%) have no limits on the number of terms a member can serve, and 46 percent compensate their members.
- Almost half (48%) of foundation boards have conducted an assessment of their performance in the last three years and three quarters (77%) have completed a formal assessment of the foundation's CEO in the last three years.

Board Meetings and Involvement

- The median number of board meetings per year is four, with a typical meeting lasting four hours.
- More than half (58%) of boards use a consent agenda.
- CEOs report the board has "quite a bit" or "a lot" of involvement in: evaluating the CEO (88%); developing program strategy (77%); and assessing the foundation's overall performance (73%). Fewer are as involved in: making operational decisions (7%); developing operating policy (18%); and representing the foundation in public (35%).

The full report is available at the following link:
http://www.effectivephilanthropy.org/portfolio-items/benchmarking-foundation-governance/

Big Issues, Many Questions: Pressing Issues Facing U.S. Foundation Leaders and Boards
Phil Buchanan,
The Center for Effective Philanthropy, **April 2016**

This essay outlines current trends and issues that foundation leaders and their boards must grapple with to be more effective. Its intention is to encourage conversations in foundation board rooms about effectiveness, emphasizing that foundations have the potential to play a unique role in society that other sectors can't or won't. Buchanan notes five trends and related questions for leaders and boards to ask themselves:

1) Questioning the role of philanthropy in an anti-establishment environment.

- What do we believe about the role of government, the role of philanthropy and the role of business in addressing social challenges?
- How are we ensuring the foundation stays connected to those we are trying to help?
- What inside and outside strategies are possible to influence systems change?
- How does the foundation balance its goals with rising concerns about unelected influence on democratic systems and processes
- Are we paying attention to the issues that matter to those most vulnerable in society?

2) Questioning the traditional approach to endowment management.

- What is the role of the endowment? Has it changed?
- How do we define our fiduciary responsibility? Has it changed?
- Are there certain industries or businesses in which we won't invest because doing so is counter to our programmatic goals or values?
- Can we actively pursue our programmatic goals through investments of endowments?
- Given our goals and strategies, should the foundation exist in perpetuity?

3) An evolving notion of what good strategy and measurement look like in philanthropy.

- What do we hold ourselves accountable for and how will we judge our performance?
- What data can inform our judgment and how can it be gathered?
- Are we supporting nonprofits to collect and analyze data that leads to their improvement?
- What information does the board need to spur discussion about foundation performance?
- Are we getting candid, comparative feedback from grantees and beneficiaries? Should we?

4) The embracing of aligned action among funders (and with other actors).

- Are our program strategies shared by other funders? What about our grantees?
- What incentives have we created that work against collaboration that we can change?
- What are – and should we be – sharing with other foundations and our grantees about what we are learning?
- How can we give up power in certain contexts to yield greater results?

5) A new sophistication in considering how to support nonprofits effectively.

- Is the foundation sufficiently staffed to do the work of supporting nonprofits effectively?
- Does the foundation create incentives for underinvestment in organizational capacity?
- What proportion of our grants are large, unrestricted and multi-year?
- How are we creating a culture that builds stronger relationships with grantees?

The full essay is available at the following link: http://bit.ly/1SzJ3bP

Sharing What Matters: Foundation Transparency
The Center for Effective Philanthropy February 2016

This report examines the perspectives of foundation CEOs on foundation transparency and is an outgrowth of CEP's previous report on how nonprofits view foundation transparency. It is based on 145 survey responses of CEOs of independent and community foundations – a response rate of 32 percent.

Four key findings are identified in the report, along with discussion questions:

1) Audiences for transparency efforts. Ninety-eight percent of independent and community foundation CEOs see grantees and potential grantees as the primary audiences for their transparency efforts; and 86 percent view transparency as necessary to build strong relationships with grantees.
Questions for foundations to ask include: Which audiences are most important for you to share information with and why? How well does your foundation communicate to important audiences? How could being more transparent with grantees help you build stronger relationships with them? Why do you think foundation transparency matters to grantees?

2) Defining transparency. Only seven percent of foundation CEOs believe there is a consistent understanding among foundations and nonprofits about what it means to be transparent. However, there is more agreement between foundations and nonprofits about their definitions of transparency (based on answers to some open-ended survey questions and their previous 2012 survey of nonprofit leaders). With both foundations and nonprofits tying transparency to issues of clarity, openness, and honesty.
Questions for foundations to ask include: What does it mean for a foundation to be transparent? What information do you believe is important to share with grantees and other audiences? Do you believe there is a shared conception of your foundation's transparency to those outside of the foundation?

3) Levels of transparency. Eighty percent of foundations see their grantmaking processes, programmatic goals and overall strategies as areas where they are most transparent. Foundations view themselves as less transparent when it comes to sharing how they assess their performance (even though they believe doing so would be beneficial).
Questions for foundations to ask include: How well do you think you are sharing different information with grantees and those outside the foundation (e.g., foundation investments, governance practices, programmatic goals)? How much do you think that transparency around those issues effect foundation effectiveness?

4) Transparency and effectiveness. Foundation CEOs generally do not believe that transparency around foundation investments, governance practices and use of selection/reporting requirements are necessarily relevant to their effectiveness. However, they do see a link between transparency and effectiveness when it comes to sharing what has worked at the foundation to achieve its goals and assess their work.
Questions for foundations to ask include: Do you want to increase the foundation's level of transparency in any particular area? What changes would increase the foundation's transparency and improve its effectiveness?

The full report can be accessed at the following link:
http://research.effectivephilanthropy.org/sharing-what-matters-foundation-transparency

Building a Foundation for the 21st Century
Clara Miller
The F.B. Heron Foundation
January 2016

This report describes how and why The F.B. Heron Foundation reinvented its strategy and business model and the lessons it has learned during its transition.

In 2011, the foundation looked at how they were pursing their mission of "helping Americans help themselves out of poverty." After a careful strategic review, they concluded that the foundation's dominant approach of helping people get access to assets (through access to credit, investments in education, etc.) wasn't enough. In a more integrated, global and fast-moving economy, the foundation decided to take a new approach to their philanthropy, re-aligning their programmatic goals with their financial investments and taking on a specific role as a growth capital investor. Miller suggests that conventional philanthropy, which has an investments side, meant to protect assets and to fund grant budgets, and a program side, that assures compliance connected to foundation-determined metrics, are sometimes at odds with one another. Instead foundations ought to be able to approach "all forms of commerce with social benefits in mind" and to exert their influence on the economy to make a real difference.

Some operating imperatives the foundation has implemented include the following:

- **An integrated investment policy that combines mission and finance together.** The foundation has an explicit investment policy that reviews all enterprises, regardless of tax status, in terms of measurable social *and* financial returns.

- **A unified philanthropic staff.** The foundation has a single staff dedicated to deploying all the foundation's assets (both investments and grants). Each staff member arrives with a different level of expertise but each is expected to learn how to manage the entire portfolio across asset classes (both grants and investments).

- **A full examination of all the foundation's holdings at the enterprise level.** The foundation examines financial and social performance of all its assets and tries to understand how individual nonprofits and for-profit enterprises are performing against the metrics developed.

- **Collaborative, cooperative, outward looking routines.** The foundation shares underwriting responsibilities with others, follows trusted partners into deals and is developing common investment vehicles, data infrastructure and other tools that facilitate collaboration.

The full report can be accessed at the following link:
http://heron.org/sites/default/files/Clara%20Miller--Building%20a%20Foundation%20for%20the%2021st%20Century--FINAL.pdf

"The Theory of the Foundation"
Melissa A. Berman
***Stanford Social Innovation Review*, Mar. 21, 2016**

This article suggests that foundations need a theory based on the articulation of fundamental assumptions related to their environment, mission, and core competencies. Mapping out "the theory of the foundation" offers a way to clarify how foundations make choices, allocate resources, and define success.

Creating a theory is particularly important given changes that have taken place within philanthropy over the last two decades – the actual and projected growth of the numbers and size of foundations; the tendency among larger foundations to focus on creating social change or solving problems rather than broader charitable purposes; and the inclination by leading foundations to work across sectors and in collaboration with others.

The article reviews theories of the public corporation, the public sector, and the family enterprise, and then suggests that a foundation-specific theory should include the following elements:

- **Charter:** A precursor to theory and organizational culture, the charter describes the foundation's form of governance and how decisions are made. A foundation's charter is likely to fall along the following continuum: donor-led – a living donor sets mission, priorities, resource allocation, and forms of engagement; stewarded – the founder is no longer living, but decisions continue to be shaped by them and operated within the original framework; connected – the founder's vision, preferences and approaches guide but don't constrain successors; and open – board members are empowered to select the foundation's areas of activity and types of engagements.

- **Capabilities**: This entails the resources, skills and processes that the foundation cultivates internally and encompasses how a foundation assesses and responds to its environment. Its capabilities must be balanced along five different dimensions: decentralized vs. centralized; builder vs. buyer; creative vs. disciplined; broad vs. deep; independent vs. networked.

- **Social Compact**: Foundations exist because of a social compact that allows private resources to be privately controlled for public benefit. Foundations should seek to understand the social value they create, their accountability, and their relationship with stakeholders. Foundations should ask themselves: How are we making a difference with the special status accorded to us? How do we need to demonstrate that? And, to whom are we responsible?

Having a theory of the foundation provides a way for the field to compare and analyze different approaches to philanthropy, and will help to illuminate their potential, especially as resources and expectations grow, about how foundations function as institutions and address a range of problems.

The full article can be accessed at the following link:
http://ssir.org/articles/entry/the_theory_of_the_foundation

The Future of Philanthropy: The CEO Perspective
The Center for Effective Philanthropy
December 2016

This report – commissioned by The William and Hewlett Packard Foundation – examines how foundation CEOs view the current state and future of philanthropy. The findings are based on 167 survey responses and 41 in-depth interviews of CEOs representing an array of foundations ranging in size from $5 million to $600 million in grantmaking. The survey response rate was 39 percent. There are two primary findings:

1. **Sixty-seven percent of foundation CEOs believe it is possible for foundations to make a significant difference in society. However, only 13 percent say foundations are currently reaching their potential.**
   - Two-thirds of CEOs say fixable, internal challenges (e.g., lack of agreement on goals, lack of long-term commitment and foundations' operations and management) are the primary barriers to meeting their potential. More than half point to external factors (e.g., the magnitude and complexity of problems and the political and economic climate); and nearly one-third cite challenges with, and the lack of, partnerships and collaborations.
   - Fifty-seven percent of CEOs say that foundations need to change in order to address future needs with nearly half believing foundations need to change their orientation, attitude and mindset – most of which is under their own control – as well as to collaborate more or better. However, only 14 percent of CEOs believe they are very likely to change.
   - Moving forward, CEOs view growing income inequality, changing demographics and the size and scope of government as influencing foundations the most; and they are most concerned about the ability of foundations in general to make an impact in a sector where accountability is self-imposed.

2. **Most CEOs believe foundation can take better advantage of their unique role to experiment and innovate (60 percent) as well as to collaborate and convene (50 percent); they also see listening to and learning from those they seek to help as a path to impact (69 percent).**
   - Eighty percent of CEOs referenced public policy at some point during interviews with the vast majority of CEOs seeing foundations playing a positive role in the public policy realm.
   - Forty-seven percent of CEOs believe foundations are likely to take advantage of their unique role to address pressing issues in the future.
   - While 42 percent of CEOs see foundations in general as being either "not at all prepared" or "not very prepared" to deal effectively with changes that will influence society, only 15 percent see their own foundation that way.
   - Sixty-nine percent of CEOs see opportunities for their foundation to listen better to those they are seeking to help, and 64 percent see foundations taking more risk as leading to increases in their ability to make an impact; they also cite foundation collaborating more with one another and with business, government, and nonprofits as holding great promise.

The report concludes with a set of discussion questions and is accompanied by a set of essays from a number of prominent foundation executives reflecting on the findings of the study.

The primary report is available at the following link:
http://research.effectivephilanthropy.org/the-future-of-foundation-philanthropy

The collection of CEO reflections is available at the following link:
http://bit.ly/2hnNDvJ

Frameworks for Private Foundations: A New Model for Impact
Melissa Berman, Dara Major and Jason Franklin
Grantcraft in Partnership with Rockefeller Philanthropy Advisors
July 2017

This article updates and expands upon the theory of the foundation research that Rockefeller Philanthropy Advisors developed for leaders of private endowed foundations. It asks leaders to think about their work in the context of three elements: (1) Charter – the foundation's scope, form of governance and decision-making protocol; (2) Social Compact – the implicit or explicit agreement with society on the value the foundation will create; and (3) Operating Capabilities – the dominant approaches that guide how a foundation carries out its work. Foundation leaders need to better understand how foundations make decisions (their charter), interact with others (their social compact), and choose to deploy resources (their operating capabilities) in order to make an impact and adapt to ever-changing circumstances.

Among the questions that foundation leaders and staff should discuss:

Charter Discussion Questions

- What is the story behind your foundation's origin and how does it come into play today?
- What influence does the vision of your founding donor(s) have on the foundation today?
- How has your foundation been governed over time?
- What are your foundation's values, cultural norms, and practices and how do they influence your funding decisions?

Social Compact Discussion Questions

- To whom or what does your foundation feel it is accountable to/for?
- What is your foundation's approach to transparency?
- To what degree does your foundation seek to influence the communities it serves?
- Which does your foundation value more and why: the freedom that foundations have to act independently or the trust that the public confers to it?

Organizational Capabilities Discussion Questions

- What capabilities are distinctive at your foundation? Which need to be developed and/or strengthened?
- Are capabilities consistent across your foundation or is each program area distinct?
- Are any of your foundation's stated capabilities more aspirational than others?
- Do grantees and stakeholders understand your capabilities? How might their level of understanding inform your interactions with them?

The report includes a "philanthropy canvas" worksheet to help foundations develop their theory of change into an actionable model.

The full report is available at the following link:
http://www.grantcraft.org/assets/content/resources/FrameworksForPrivateFoundationsFinal.pdf

An earlier article appeared in the Stanford Social Innovation Review in March 2016:
http://ssir.org/articles/entry/the_theory_of_the_foundation

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

10 Things Every New Foundation Board Member Should Know
Council on Foundations and BoardSource
March 2014

Trustees as Partners in Learning and Evaluation
Grantmakers for Effective Organizations
July 26, 2017

Foundation Board Leadership – A Closer Look at Foundation Board Responses to Leading with Intent 2017
Board Source
February 15, 2018

"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:

1. Concern with issues crucial to the nonprofit’s success.
2. A drive to obtain results that are linked to defined timetables.
3. A provision of clear measures of success.
4. 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), captain (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

10 Things Every New Foundation Board Member Should Know
Council on Foundations and BoardSource
March 2014

This joint report by the Council on Foundations and BoardSource is a primer on the essential principles a foundation board member should be familiar with.

1. *Mission* – Become intimately familiar with the purpose of the foundation and its vision. Board members play a leading role in articulating and refining the foundation's mission statement as well as the strategies needed to advance it.
2. *Values* – Explore the foundation's values and how these shape its strategic direction and action. While these values may not be explicit, it is important to be aware of them and a best a practice to clarify and discuss them from time to time.
3. *Expectations* – Learn the foundation's expectations and how to fulfill them. The board member's role may vary greatly depending on the organization's culture, size, affiliations, and other factors.
4. *Inclusion* – Perspective matters. It is important to make sure that a foundation's board has a diverse body and mindset that brings in new and different ideas.
5. *Impact* – Connect to the foundation's purpose. Be aware of the relationship between programs, strategy, and the mission of the foundation and know how funding decisions are made.
6. *Legal Responsibilities* – Understand and comply with the foundation's legal and ethical practices. Board members have the duty to comply with governing documents and laws, the duty to make informed choices, and the duty to act only in the interests of the foundation.
7. *Fiduciary Responsibilities* – Understand the board's fiduciary role. Be aware of applicable regulatory standards of operation and of the foundation's regulatory context.
8. *Governance & Management* – Discover roles and responsibilities across the foundation, including how the executive management and board committees function and are organized.
9. *Mentorship* – Learn from a mentor and board peers. This is important to developing the organizational culture and improving the knowledge base of board members.
10. *Evaluate* – Look back, learn and grow using assessments at the individual, board and organizational levels. These forms of assessment are critical to the continued success and efficiency of a foundation.

The report is available at the following link:
http://www.cof.org/content/10-things-every-new-foundation-board-member-should-know

Trustees as Partners in Learning and Evaluation
Grantmakers for Effective Organizations
July 26, 2017

This toolkit is to help foundation trustees build a learning culture in which they can ask and answer questions to improve organizational performance that leads to greater community impact. It centers around common question that board members and CEOs ask.

Prioritization
How do we make time for learning when there is so much board business to attend to (i.e. approving grants, monitoring financials, etc.)?

- Devolve more responsibility for approving grants to the CEO.
- Use a consent agenda so that routine matters can be addressed in one vote.
- Set up separate meeting or retreats that focus on learning and planning.

Learning
How can we create learning goals for the board that feel dynamic and central to decision-making, not just rote?

- Separate out learning from decision-making.
- Be clear about what board members can expect to gain from different discussions.

Continuity
How can we maintain organizational knowledge and culture when we welcome new board members that haven't had the benefit of earlier learning opportunities?

- Pay careful attention to both board selection and orientation.
- Use annual engagement surveys to try and find out what trustees want to learn about.

CEO Support
How can CEOs support boards as they prioritize learning?

- Welcome board members into conversations while they are still formative.
- Give up some control to enable more unscripted board conversations.
- Offer coaching where needed to specific board members to aid their understanding.

The toolkit is available at the following link:
https://www.geofunders.org/resources/trustees-as-partners-in-learning-and-evaluation-926

Foundation Board Leadership – A Closer Look at Foundation Board Responses to Leading with Intent 2017
Board Source
February 15, 2018

This report focuses on key findings about foundation leadership from BoardSource's September 2017 report *Leading with Intent*. In total, 141 foundation leaders – 111 chief executives and 30 board chairs – from various types of foundations responded to the survey (25% community foundations, 31% private foundations, 13% family foundations, and 31% "other" foundations such as operating foundations).

Board performance and impact

- Boards generally agree that they could do more to positively impact their foundation's performance by serving as ambassadors for the foundation; providing guidance and support to the chief executive; understanding their own roles and responsibilities; and helping the foundations to adapt to changes in the environment.
- Boards that effectively provide guidance and support to the chief executive signal their commitment to the foundation and its work; investment in the CEO's leadership and success; and share ownership and accountability of the foundation's mission and impact. While most CEOs give their boards A and B grades in providing such support, one-third give their boards a C grade and seven percent give them a D or F.

Board composition and diversity

- Foundation boards are not racially or ethnically diverse. For instance, while 24 percent of public charity boards are 100 percent white, nearly 40 percent of foundation boards are 100 percent white. In general, recruitment efforts that would change the board's racial and ethnic composition are not highly prioritized. Until that changes, the racial and ethnic diversity of foundation boards is unlikely to change.

Self-assessment and learning

- Foundation boards that assess their own performance on a regular basis report stronger board performance. However, only slightly more than a third of the foundations are doing so; this compares to nearly a half of nonprofit boards that do so.

The full report is available at the following link:
https://leadingwithintent.org/wp-content/uploads/2018/02/LWI-2017-Foundation-Responses.pdf

<u>**Executive Leadership**</u>

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

Employee Empowerment: The Key to Foundation Staff Satisfaction
The Center for Effective Philanthropy
December 2012

Foundation Chief Executives as Artful Jugglers
Fay Twersky
The Center for Effective Philanthropy, August 2014

"Enhancing Foundation Capacity: The Role of the Senior Leadership Team"
Melissa A. Berman
The Foundation Review
Volume 8, Issue 2, Article 9
June 2016

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

1. Visionary Leadership: Advocacy, History and Culture of Philanthropy.
2. Partnership Management: Partnership Development, Partnership Management.
3. Education and Public Engagement: Advocacy, Policy Analysis.
4. 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
9. Vision Setting

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

Employee Empowerment: The Key to Foundation Staff Satisfaction
The Center for Effective Philanthropy
December 2012

This report by the Center for Effective Philanthropy discusses the importance of employee empowerment on staff satisfaction. Findings are based on survey responses from 1,168 full-time staff members at 31 foundations.

The survey finds that issues that matters most to levels of staff satisfaction are the overarching work experiences of the individual and the culture and climate present in the organization. Staff members are most satisfied in their jobs when they feel empowered in their day-to-day experiences at work. Feeling empowered is more important for satisfaction than other dimensions, such as their sense of the appropriateness of pay or workload.

Factors that can influence the extent to which staff members feel empowered include:

- the way that staff interact with each other
- whether staff believe they can exercise authority and creativity
- the extent to which staff use their particular skills and abilities in their job function
- the opportunities staff have available to grow and learn
- whether staff feel like they are making a difference through their work
- the degree to which staff feel respected and recognized for their contributions
- the presence of open, two-way communications between staff and their supervisors.

The report suggests that staff members feel empowered when they believe that management communicates a clear direction for the future, that they are working in alignment with the CEO and board, that the foundation cares about them, and that their performance reviews are fair and helpful. The primary implication is that foundation leaders have significant control over the levels of staff empowerment, and, as a result, the levels of staff satisfaction. Moreover issues that often are the focus of conversations about staff retention and satisfaction – such as pay levels, staff size or workload – are not as important.

Two foundations are profiled as case studies, The Commonwealth Fund and The Skillman Foundation, because each achieved and sustained high levels of staff satisfaction. The authors suggest this is the result of their "significant dedication to cultivating an environment in which staff feel empowered" and "leaders who are passionately committed to their staff."

The full report can be found at:
http://www.effectivephilanthropy.org/assets/pdfs/Key%20to%20Foundation%20Staff%20Satisfaction.pdf

Foundation Chief Executives as Artful Jugglers
Fay Twersky
The Center for Effective Philanthropy, August 2014

This report looks at what it takes to successfully lead a philanthropic foundation. Findings are based on interviews and group discussions with current and retired CEOs of 45 different philanthropies, mostly independent and family foundations.

Three "essential elements" must be juggled and effectively pursued at once:

- *Engaging the board*. A CEO must discern the intent and values of the donor(s) and translate those into meaningful action. This is especially difficult when foundations are new, intentions are unclear, or where priorities change over time. In the face of such changes, the CEO must ensure the continuous alignment of the foundation's daily work with the board's expectations, help board members live up to their fiduciary and strategic responsibilities, and keep them emotionally connected to the work. Critical to this task is building strong relationships between board members and the CEO and creating a culture of inquiry that is open, transparent and data-driven.

- *Cultivating a healthy organization*. The CEO needs to build and sustain a healthy organizational culture not only by paying close attention to how "big things" are done – such as human resource management, strategy development, budgeting and grant review processes – but also by creating a welcoming, appreciative and collaborative work environment. A healthy organization also requires that the CEO help to recruit and retain staff members that possess content expertise as well as leadership and management skills.

- *Achieving Impact.* The CEO has multiple ways to achieve impact including generating and sharing knowledge, developing problem-oriented strategies that can "unlock the potential of government, markets and citizenry, and/or leading a philanthropy modeled on the compassion and generosity of the donor. Whatever the path, successful foundation leaders must strive to achieve meaningful change and find ways to measure it.

The author identified two additional themes that arose in the course of the interviews. First, nearly all of the CEOs said it takes time to understand the job, the organization and the sector, which is a prerequisite to developing effective grantmaking practices, building a healthy organization and finding the right path to create impact. Second, while most of the CEOs did not arrive into their positions with prior experience working in foundations, most thought it was good practice to hire and promote from within the sector and pointed to recent signs that this may be happening with greater frequency.

The full report is available at the following link:
http://www.effectivephilanthropy.org/wp-content/uploads/2014/08/Artful-Jugglers.pdf

An abbreviated version of the report can be found in SSIR:
http://www.ssireview.org/articles/entry/the_artful_juggler?utm_source=Enews&utm_medium=Email&utm_campaign=SSIR_Now&utm_content=Read_More

“Enhancing Foundation Capacity: The Role of the Senior Leadership Team”
Melissa A. Berman
The Foundation Review
Volume 8, Issue 2, Article 9
June 2016

This article examines the most common organizational design of foundations from an institutional perspective, and how different mechanisms can break down artificial barriers within a foundation’s organizational structure. The examination stems from an initiative that Rockefeller Philanthropy Advisors launched on foundation theory and is based on an analysis of 40 large foundations of varying sizes and types.

Organizational Design
Most of the foundations examined use a “product structure” model, in which each program area (or division) does its own research, strategy, program design, convening, grantee relations, technical assistance, partnership outreach, recruiting and field building. The benefit of such a structure is that program staff become expert in specific issues and can be more responsive to the needs of the communities served, and more entrepreneurial in how they approach different problems. However, it can have an isolating effect that leads to missed opportunities for different program areas to leverage the knowledge, skills and relationships that have been developed in other program areas of the foundation.

Breaking Down Silos
Work processes that are less hierarchal and are designed around workflow (e.g., new product or program development) are more time consuming since decision making tends to be more dependent on mutual agreement and relationships. To better integrate their work, some foundations are moving more toward a “functional structure” model, which has centralized research and development, strategy and program development, communications, evaluation and human resources. Other foundations are creating cross-functional positions within their executive office, with more than half of the foundations identifying a senior position that didn’t exist a decade ago, including learning officers, heads of strategic planning, and chiefs of staff, which are designed to improve organizational and programmatic integration. About half of the foundations examined sought integration through a lead program executive to whom all the program areas report.

Senior Leadership Teams (SLT)
Foundations are also developing senior leadership teams, which vary in size and composition, but primarily function in an advisory capacity to the president. These teams help the CEO to define the foundation’s vision and priorities; spur collaboration across functional areas; play an important role during transitions; and model behavior that is consistent with the foundation’s culture. SLT effectiveness can be enhanced through: strong support from the president/CEO*;* clear and open communication*;* a shared vision for their work; and mutual trust and respect.

The full article can be accessed here:
http://scholarworks.gvsu.edu/cgi/viewcontent.cgi?article=1299&context=tfr

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"
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    "Data-first philanthropy," Lucy Bernholz

Pathways to Grow Impact: Philanthropy's Role in the Journey
Grantmakers for Effective Organizations
February 2013

"High Stakes Donor Collaborations"
Will Seldon, Thomas J. Tierney And Gihani Fernando
Stanford Social Innovation Review
Spring 2013

Gather: The Art and Science of Effective Convening
The Monitor Institute, Monitor Deloitte and the Rockefeller Foundation
June 2013

Why Contests Improve Philanthropy: Six lessons on designing public prizes for impact
Mayur Patel, The Knight Foundation
May 2013

The Edna McConnell Clark Foundation's Youth Development Fund: The Results and Lessons from the First 10 Years
William P. Ryan and Barbara E. Taylor
September 2013

How Far Have We Come? Foundation CEOs on Progress and Impact
Ellie Buteau, Phil Buchanan, and Ramya Gopal
The Center for Effective Philanthropy
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"The Re-Emerging Art of Funding Innovation"
Gabriel Kasper and Justin Marcoux
Stanford Social Innovation Review
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"Smarter Philanthropy for Greater Impact:
Rethinking How Grantmakers Support Scale"
Supplement to *Stanford Social Innovation Review*
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"Strategic Philanthropy for a Complex World"
John Kania, Mark Kramer and Patty Russell
And "Up for Debate Responses" by
Christine W. Letts, Darren Walker, Kenneth Prewitt, Mark Speich and Zia Kahn
Stanford Social Innovation Review
Summer 2014

Ten Keys – Ten Years Later: Successful Strategic Planning for Foundation Leaders
Richard Mittnhal, Chris Carona, and Ashley Blanchard
TCC Group
June 2014

Is Grantmaking Getting Smarter? A National Study of Philanthropic Practice
J McCray
Grantmakers for Effective Organizations
November 2014

Re-constructing Philanthropy from the Outside-In
Paul Shoemaker
Social Venture Partners
February 2015

"Systems Grantmaking Resource Guide"
Grantmakers for Effective Organizations and Management Assistant Group
February 2016

A New Power Grid: Building Healthy Communities at Year 5
The California Endowment
April 2016

"Pay-What-It-Takes Philanthropy: Up for Debate Series"
Jeri Eckhart-Queenan, Michael Etzel, and Sridhar Prasad
Stanford Social Innovation Review
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Shaping Culture: Through Key Moments
Grantmakers for Effective Organizations
November 2016

"Systems Change in a Polarized Country"
Stanford Social Innovation Review
Mark R. Kramer
April 11, 2017

Peer to Peer: At the Heart of Influencing More Effective Philanthropy
William and Flora Hewlett Foundation
February 2017

"The Missing Link for Maximizing Impact: Foundations Assessing Their Capacity"
Melinda Fine, Jared Raynor, Jessica Mowles and Deepti Sood
*The Foundation Review (*Volume 9, Issue 2)
June 30, 2017

“Time to Reboot Grantmaking”
Michael Etzel and Hilary Pennington
Stanford Social Innovation Review
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Is Grantmaking Getting Smarter 2017: A National Study of Philanthropic Practice
Grantmakers for Effective Organizations
November 2017

Scaling Solutions Towards Shifting Systems
Heather Grady, Kelly Diggins, Joanne Schneider and Namah Paley Rose
Supported by Rockefeller Philanthropy Advisors
September 2017

“Navigating Risk in Impact-Focused Philanthropy”
Stanford Social Innovation Review Supplement
Sponsored by Open Road Alliance in partnership with The Rockefeller Foundation
Summer 2017

“Social Enterprise Is Not Social Change”
Marshall Ganz, Tamara Kay & Jason Spicer
Stanford Social Innovation Review
Spring 2018

Being the Change: 12 Ways Foundations are Transforming Themselves to Transform their Impact
Abigail Stevenson and Valerie Bockstette
FSG
April 2018

“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 committed 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 two 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

Pathways to Grow Impact: Philanthropy's Role in the Journey
Grantmakers for Effective Organizations
February 2013

This report examines how funders can grow and scale impact. It identifies four approaches: increasing the reach of a program; spreading an idea or innovation; increasing the number of people or places that use or apply a technology, practice or skill; and influencing public policy.

Because different approaches require different capacities, funders need to have conversations with grantees about appropriate pathways and how they play to the nonprofit's strengths. Scaling that involves organizational growth requires that organizations have or develop capacities to: gather and interpret data that informs program design and implementation; generate revenue that can be invested in program growth; and ensure program reliability using a codified program model and performance measurement and management system that can ensure fidelity. Since organizational growth is not required to scale impact, the report identifies four additional factors for successful scaling: cultivating networks with other organizations; hiring high-quality staff; clarifying the key elements of the scaling approach to encourage diffusion; and appointing an "evangelist-in-chief" to get the word out to a wide range of constituents.

Funders can support scaling through a number of practices:

- **Provide flexible funding** in appropriate amounts over the long term by making larger grants, showing a preference for general operating support, avoiding arbitrary limits on administrative spending, sticking with organizations after they become successful fundraisers and making multi-year commitments.
- **Fund data and performance management capabilities** by underwriting an organization's efforts to build capacity, viewing data as an opportunity to learn, investing in nonprofits that prioritize real-time feedback and modeling a commitment to learning.
- **Support capacity-building and leadership development efforts** by learning about grantee capacity-building needs and the different phases of organizational development, making sure funding support responds to real and recognized needs, offering capacity building support in addition to unrestricted support, funding organizations that already value professional development and organizational learning, and working with intermediaries to offer specialized skill development.
- **Support movements by boosting collaboration and underwriting advocacy efforts** by connecting grantees to your networks, providing funding for advocacy and collaboration, helping grantees build and sustain their own networks, and removing barriers to advocacy from grant agreements.

The report concludes by reminding funders that program replication is not the only way to make an impact. It also suggests that funders must work systematically with other funders to make a greater impact and asks the funding community to be more responsive and adaptive to the needs of the nonprofit community. Finally, it encourages exploration as to how funders can provide incentives to scale impact from mission-focused nonprofits that embrace evaluation and organizational learning (as opposed to nonprofits focused only on their own organizational sustainability).

The full report can be found at:
http://docs.geofunders.org/?filename=geo_pathways_to_grow_impact.pdf

“High Stakes Donor Collaborations”
Will Seldon, Thomas J. Tierney And Gihani Fernando
Stanford Social Innovation Review
Spring 2013

This article highlights research by the Bridgespan Group into “high stakes donor collaboration” – in which donors pool talent, resources and decision-making in pursuit of a shared multiyear vision. They argue that while collaboration in the form of information sharing and coordination is common, high stakes collaborations in which donors take intentional and unified action is infrequent. High stakes collaborations place results ahead of organizational or individual recognition, involve significant time and money commitments, and are typically characterized by unilateral decision-making authority.

The authors identify three strategies for high stakes donor collaboration:

- **Accessing expertise.** Such collaborations pool resources to develop collective expertise on specific issues or areas of interest. Examples include the Energy Foundation and Oceans 5.
- **Systems level change.** These collaborations use the reputations, networks, expertise and financial resources of funders in systemic change efforts. Examples include the Donors’ Education Collaborative and California Forward.
- **Aggregating capital.** Such collaborations are established primarily to pool large sums of money toward a common goal. Examples include Growth Capital Aggregation and Living Cities.

The authors suggest that funders working in high stakes collaboration can achieve more together than they can alone, but say that they are uncommon for a number of reasons. First, the scale or magnitude of most problems doesn’t justify the time, money and other resources required to make high stakes collaboration work. Second, philanthropy is often very personal and the incentives for collaboration are not always clear, particularly when the risks are high. Third, donors may fear not getting full credit for their involvement in high stakes collaboration or the consequence of the collaboration not working as planned.

For those who are contemplating high-stakes collaborations, the article provides some practical insights to make them work. These include: building productive personal relationships with those involved; bringing and keeping principals of donor organizations to the table; developing and following clear structures and processes to do the work; being flexible in the approach or strategy used; having a willingness to move beyond one’s comfort zone to achieve results; and creating an exit strategy if the collaboration fails to meet expectations. The article ends by asking donors to consider two questions before pursuing philanthropic strategies on their own: is high stakes collaboration strategically desirable? and if so, what is the best way to proceed?

The article can be found at:
http://www.ssireview.org/articles/entry/high_stakes_donor_collaborations

Gather: The Art and Science of Effective Convening
The Monitor Institute, Monitor Deloitte and the Rockefeller Foundation
June 2013

This guidebook is a practical toolkit to help "social change leaders" take on the role of designing and facilitating effective convenings. It came out of an internal examination by the Rockefeller Foundation about how to strengthen its own convening skills and was then adapted for a broader audience. The guidebook defines their use of the word "convening" to mean "a gathering in which participants are in a collective effort that serves a specific purpose". The guidebook is divided into six parts.

1. **Choosing to convene**. Convenings require time and resources. Foundations should consider the following questions as they decide whether or not to convene: Can the purpose/opportunity be clearly articulated? Is the issue ripe for meaningful progress and is their energy around it to take action? Can the relevant stakeholders be assembled? Does the purpose call for collective action or intelligence? Is an extended block of time necessary to do the work? Are the necessary resources available? Does the foundation need to be the primary convener?

2. **Defining your purpose.** Any convening needs to at least achieve the goals of building networks and sharing learning, but the purpose should drive how it is organized and what your "design stance" is (i.e., whether it is a traditional, top-down convening or co-created with others). Possible purposes include influencing or shaping attitudes, innovating or exploring new approaches, developing foresight and anticipating potential challenges, and mobilizing stakeholders.

3. Forming your team. Three practical demands drive the creation of a convening: (1) setting the agenda and choosing content; (2) engaging and communicating with participants; (3) and arranging the underlying logistics. The work of designing a convening is best managed by a lead designer and a small team. Essential to the work is choosing the right facilitator, typically one with excellent facilitation expertise and a strong relationship with the group and topic.

4. Assembling participants. Identifying your stakeholders is a process that helps to ensure that the right people are in the room. Two fundamental questions are whether that person will help to achieve the intended purpose and whether or not they are likely to attend. Segmenting stakeholders can help to determine whether they should be consulted, included, involved or simply informed. The size of the group is contingent on the purpose of the convening; however, a convening of 50 to 80 people tends to be the largest size possible for a meaningful exchange.

5. Structuring the work. Using an agenda **–** one that includes the length, purpose and method of each segment of the convening – is crucial. As well, good convenings keep the participants at their center, create connections, pay attention to flow of the agenda, and establish clear ground rules.

6. **Planning the follow-through**. Short-term follow up for understanding a convening's possible impact includes surveys, debriefing processes, personal follow up and emailing or using social media about things you heard or learned. Follow up might also include more concrete actions like making small seed grants to quickly develop ideas, putting dedicated resources towards solutions, or scheduling regular check-ins with participants.

The guidebook is available at the following link:
http://www.rockefellerfoundation.org/uploads/files/934f8c4a-866a-44bc-b890-7602cc99aefarockefeller.pdf

Why Contests Improve Philanthropy: Six lessons on designing public prizes for impact
Mayur Patel, The Knight Foundation
May 2013

Since 2007, The Knight Foundation has operated a dozen open contests, choosing 400 winners from 25,000 entries, and granting more than $75 million to individuals, businesses, schools and nonprofits. Six lessons from their experiences are captured in this guide.

1. **Contests bring in new blood, new ideas**. They require foundations to have an openness to a new kind of applicant, which helps to refresh ideas and approaches to problems. Some tips include: keeping the entry processes simple so those unfamiliar with how foundations work can apply; investing in marketing to help reach out to a wide target audience; and shortening how long the contest is open since innovation happens quickly.

2. **Contests create value beyond the winners.** More than 40 percent of non-winning entrants to the foundation's contests saw the application process as helpful. Tips include: promoting contest finalists through social media and other means; thinking of marketing as more than just pulling in new entrants, but also as a way to promote a cause; and including other funders in your reviewer pool to fund ideas that you may not.

3. **Contests help you spot emerging trends.** Open contests can help you to spot trends in terms of how a community is thinking about and approaching problems. Tips include: making it one of your judging panels' jobs to identify patters in the applicant pool; looking for trends in the entries at-large, as well as in the finalists; and treating your applicants as problem-identifiers not just solution-providers.

4. **Contests will change your routine.** As a result of contests, the foundation now provides grants to individuals and for-profit businesses, has a short application form and has changed its due diligence requests. Tips include: embracing a contest's signaling effect and how it can broadcast changes in the foundation's approach and focus; experimenting with an open brand and looking at possibilities to make grantmaking practices more open and responsive; and reviewing your contests frequently about what works well and what doesn't.

5. **Contests go hand in glove with existing program strategies**. They are different ways to approach problems and are best suited when they are embedded within existing work. Tips include: piggybacking on appropriate community priorities or where there has been some interest expressed; identifying market areas within your portfolio that have stalled; and spotlighting leading practices to motivate and influence potential entrants.

6. **Contests thoughtfully engage the community.** Bringing in the outside community to help judge competitions is important but can be tricky. Tips include: setting clear expectations for what it means to have community participation; using external review panels that include members of the community as well as former winners; and making the default option be that applicants post their entries publically so others can learn from them.

The report is available at the following link:
http://www.knightfoundation.org/opencontests/

The Edna McConnell Clark Foundation's Youth Development Fund: The Results and Lessons from the First 10 Years
William P. Ryan and Barbara E. Taylor
September 2013

In 1999, the Edna McConnell Clark Foundation (EMCF) adopted an investment approach to its grantmaking. They provide support for grantees to develop business plans for creating impact and then flexible funding that enables grantees to make progress towards the plan's goals. The report reviews the first ten years of this approach based on interviews with leaders from more than 40 of its current and former grantees as well as EMCF staff members.

On average, EMCF grantees have increased the number of vulnerable youth they served by 19 percent annually. Moreover, the share of young people who were served by programs of "demonstrated" or "proven effectiveness" increased as well. Fully 90 percent of funded programs have strong empirical evidence, based on EMCF's criteria, that they are making a significant impact on youth.

EMCF has some observations about what they believe has made their grantmaking a success. They advance a portfolio approach that focuses on grantees rather than grants. This allows them to better focus and tailor their support. They are very selective about whom they fund, aggressively canvassing the field and their associated networks to identify potential investments. Potential grantees are put through an extensive due diligence process from which a handful of organizations are selected for funding. Along the way, they provide extra-financial supports to grantees, including management consultants who help grantees identify capacity gaps that must be closed in order to reach the scale and impact they propose and technical support for grantees to build their program evaluation capacity.

Over the years, the foundation has evolved from only investing in on-the-ground services to those that build grantee's capacity to advance policy that help them scale. They also have begun to invest in organizations that advocate for greater government accountability and smarter decision-making about "what works." The foundation further observed that even "big grants weren't big enough" to bring solutions to scale. They have since moved to aggregate funding from others in order to increase the size of their possible investment (e.g., the Growth Capital Aggregation Pilot Fund and the True North Fund).

The report is available at the following link:
http://www.emcf.org/fileadmin/media/PDFs/EMCF_ResultsandLessonsReport_2001-2012.pdf

How Far Have We Come? Foundation CEOs on Progress and Impact
Ellie Buteau, Phil Buchanan, and Ramya Gopal
The Center for Effective Philanthropy
December 2013

This report focuses on how foundation CEOs view and measure progress in achieving impact. It is based on a survey of 211 CEOs from foundations across the country with annual grantmaking of at least $5 million; the median annual giving of those responding was $14.4 million. The response rate of the survey was 45 percent.
The four primary findings are:

1. **Few foundation CEOs think there has been much overall progress by all organizations (nonprofits, government entities, foundations and for profits) toward the primary program goal that their foundation is focused.** Only 25 percent believe there has been a lot of progress, which is about the same proportion that says there has been little or no progress. CEOs also think that more could be done to gauge progress – such as improved communication and more evidence-based information – with half somewhat or less confident in their assessment of overall progress.

2. **Foundation CEOs are more positive when it comes to gauging their own individual foundation's contributions toward the primary program goal that their foundation is focused.** Sixty percent believe their foundation has contributed a great deal, and 30 percent a moderate amount, towards the overall progress that has been made. Thirty-eight percent of all CEOs point to knowledge of a concrete result, and 36 percent of all CEOs point to measurable data, as the basis for their assessment of the foundation's progress.

3. **Foundation CEOs believe the greatest barriers to their ability to make more progress toward its primary program goals are issues external to foundations.** Seventy-six percent say that the current government policy environment is a significant barrier to their making progress. For instance, several pointed to cuts in traditional government services that have left philanthropy "filling gaps" and thereby stalling the foundation's progress. Another 76 percent say the economic climate is a barrier, particularly as the effects of the economic recession have lingered over the last five years.

4. **Most foundation CEOs say their foundation is already engaging in the practices they believe offer the greatest potential to increase their impact**. However, they see opportunities for changes in practice among foundations in general that could improve, such as publicly sharing information about where foundations have been less successful; being less risk averse; and increasing efforts to identify and raise up pathways and programs that have strong evidence of success. In response to an open-ended question about the future concerns of foundations, several themes emerge: foundation aversion to risk-taking; inflexibility in adapting and changing with the times; external government actions that lead to reduced autonomy among foundations; and the effect of the economic recession on foundation endowments, especially with increased demands and government cutbacks.

The report is available at the following link:
http://www.effectivephilanthropy.org/assets/pdfs/HowFarHaveWeCome_CEPreport%5B1%5D.pdf

“The Re-Emerging Art of Funding Innovation”
Gabriel Kasper and Justin Marcoux
Stanford Social Innovation Review
Spring 2014

While strategic philanthropy has helped funders better align their programs with theories of change and metrics of impact, it has also reduced philanthropy’s appetite for risk-taking. Consequently, there is less funding for innovative and experimental approaches that have the potential to produce substantial social returns.

Funding innovative solutions requires funders to shift their thinking so that the probability of success is intentionally traded off for greater potential impact and that trial and error becomes a core part of the discovery process. Social change is non-linear and often messy and innovation requires an emergent approach that adapts strategies as learning about the issues and the leverage points occur.

They offer a five-stage funding model:

1. *Sourcing New Ideas* – innovation funders cast a wide net and engage unconventional problems solvers to find projects and organizations to support, such as using competitions to elicit new ideas across disciplines; building formal and informal networks of advisors to better understand emerging issues; and investing in innovative, imaginative leaders rather than specific ideas.

2. *Selecting New Ideas* – innovation funders still conduct thorough due diligence but don’t let the need for proof and certainty screen out potentially transformative opportunities.

3. *Supporting Innovation* – innovation funders take an especially hands-on approach to helping shape and guide early stage ideas as they move from concept to implementation.

4. *Measuring Progress* – innovation funders play a formative role in helping those they fund to assess progress towards goals and to measure process milestones.

5. *Scaling Up Successes* – innovation funders work at the early stages to identify potential strategies for scaling.

A more optimistic and risk aware perspective on funding is necessary in order to ensure investment and solutions in areas with the potential for high impact. For example, Google allocates 70% of resources to core business tasks, 20% to projects related to core business, and 10% to radical innovation. These figures help to illustrate how a foundation might create a space for innovation.

The article is available at the following link:
http://www.ssireview.org/articles/entry/the_re_emerging_art_of_funding_innovation

“Smarter Philanthropy for Greater Impact: Rethinking How Grantmakers Support Scale”
Supplement to *Stanford Social Innovation Review*
Spring 2014

What Would It Take?
By Kathleen P. Enright, The president and CEO of GEO describes what the organization learned over the course of its *Scaling What Works* initiative.

Emerging Pathways to Transformative Scale
By Jeffrey Bradach and Abe Grindle, The cofounder of and a consultant at The Bridgespan Group elaborate on important strategies for scaling up social impact.

Pathways to Scale for a Place-Based Funder
By Katie Merrow, The VP of program at the New Hampshire Charitable Foundation explains how her organization supports local nonprofits.

The Road to Scale Runs Through Public Systems
By Patrick T. McCarthy, The president and CEO of the Annie E. Casey Foundation writes about the importance of working with public systems.

From Innovation to Results
An interview with Michael Smith, The director of the Social Innovation Fund explains how the fund balances innovation and support for proven programs.

Perspectives on the Social Innovation Fund
An interview with Carla Javits, The president and CEO of REDF elaborates on her organization’s experience serving as a Social Innovation Fund intermediary.

Partners in Impact
By Daniel Cardinali, The president of Communities In Schools writes about the role funders played in helping his organization scale up.

We Need More Scale, Not More Innovation
By Dr. Robert K. Ross, The president and CEO of The California Endowment discusses the importance of engaging in advocacy and community organizing.

More Resources, More Co-Investors, More Impact
By Nancy Roob, The president and CEO of the Edna McConnell Clark Foundation elaborates on the vital role growth capital aggregation plays.

In Collaboration, Actions Speak Louder than Words
By Jane Wei-Skillern, The author of *Cracking the Network Code* discusses the important role of networks in scaling up solutions.

Leveraging a Movement Moment
By Lori Bartczak, The VP of programs at GEO writes about the opportunities for grantmakers in supporting social movements.

This supplement offers perspectives about how to scale for greater impact from 11 contributors. It begins with GEO’s Kathleen Enright affirming that scaling is about increasing impact, not the size or capacity of organizations. She offers four pathways to scaling impact: increasing the reach of programs, advocating for policy changes, transferring technology or skills, and spreading ideas or innovation. For funders, this means providing longer term, flexible funding to nonprofits; supporting more advanced data and performance management capabilities; investing in leadership development; and supporting social movements and networks (as well as organizations). She also emphasizes the importance of government action in scaling and better coordination with other funders in how resources are utilized and deployed.

Bridgespan’s Jeff Bradach and Abe Grindle then describe different approaches to what they call “transformative scaling,” which seeks to solve problems as opposed to just treating the symptoms of them. One way they suggest to achieve such scale is by using existing distribution systems and platforms such as national nonprofits. Another approach is to find aspects of programs that have the greatest verifiable impact and scale those solutions, or alternatively to focus on changing a particular aspect of public policy or a system that will have a broader impact. For any of these approaches to work, funders need to narrowly define what it is they want to solve, rethink how they capitalize nonprofits, drive demand for permanent solutions within the market, and invest in new capabilities for nonprofits that they don't currently possess.

Essays from Katie Merrow of the New Hampshire Charitable Foundation and Patrick T. McCarthy of the Annie E. Casey Foundation provide examples of two different foundation approaches to scaling. One centers on building grantee and community capacity and the other on changing critical parts of public systems. The opportunities and challenges to scaling with government are then discussed with the Social Innovation Fund's Michael Smith and REDF's Carla Javits, one of the fund's intermediaries.

Daniel Cardinali of Communities in Schools (CIS) next shares his organization's pathway from a small nonprofit to a national organization. The organization's success was strongly influenced by early investors that allowed it to experiment and "fail forward." As CIS grew and spread to other states, the organization gave additional control to the local communities of operation in a federated model. At the same time, they began to tap public dollars – in addition to philanthropic investments – and to build volunteer networks to support the work. Following CIS's rapid expansion they saw that they were losing some of their original quality. With the support of philanthropy, the organization recalibrated and refocused on efficacy through evaluation and performance improvements – rather than further expansion – a process that is still ongoing.

Dr. Robert K. Ross of The California Endowment argues that foundations need to do more scaling of effective solutions by supporting community organizing and advocacy work rather than simply focusing on innovation. Using the problems with the criminal justice system as an example, he argues that political stasis impedes progress and that foundations need to use their influence to push large public systems to change.

Nancy Roob of the Edna McConnell Clark Foundation argues that philanthropy can better scale by pooling its resources together and focusing on common goals. She offers lessons from their experience doing this work such as: setting the same terms and conditions for each organization involved; securing all of the capital requirements in advance of the project; linking grantee growth capital to performance measurements; being transparent and accountable to co-investors about finances and outcomes; and, once scaled, finding reliable funding to sustain operations. Two final articles focus on collaborative approaches to problem-solving. Jane Wei-Skillern says that those leading successful collaborations put the overall mission above the organization, they build strong and trusting relationships, and they let go of control to maximize impact. Lori Bartczak of GEO describes how funders can support movements by investing money and time in the infrastructure they need to grow, helping to broker new partnerships, and advancing learning within the group.

The SSIR supplement is available at the following link:
http://scaling.ssireview.org/

“Strategic Philanthropy for a Complex World”
John Kania, Mark Kramer and Patty Russell
And “Up for Debate Responses” by
Christine W. Letts, Darren Walker, Kenneth Prewitt, Mark Speich and Zia Kahn
Stanford Social Innovation Review
Summer 2014

The authors – previously proponents of strategic philanthropy – argue that foundations seeking to address “complex problems” should move away from strategic philanthropy that is predictive toward a more emergent approach. Because complex problems arise from the dynamic interplay of multiple independent factors addressing them through strategic philanthropy, which assumes a linear chain of causation, is limiting and sometimes misleading. They instead recommend an emergent approach for dealing with complex problems which emphasizes organizational learning about what works through practice and acknowledges that specific outcomes often can’t be predicted.

They argue that core principles of complexity theory should inform this approach by:

- *Co-creating strategy:* This recognizes that complex problems and solutions are not influenced by any one actor or set of actors and that those in the system can’t be compelled by a funder to follow its preferred strategy. Therefore, strategies need to be co-created.
- *Working with attractors:* Funders should identify and leverage opportunities – whether they are people, ideas, resource or events – that lead the system to toward a particular goal.
- *Improving system fitness:* Funders need to focus on strengthening the systems and relationships that can generate solutions, rather than focusing resources on the solutions themselves.

Likely changes in foundations as a result of an emergent approach include:

- *Strategy*: Greater use of systems maps, stakeholder and network analysis, and scenario planning as well as an orientation to hypothesis testing and prototyping in how funders develop strategy.
- *Structure*: Greater flexibility in accountability structures that allow staff to take the initiative as conditions demand. As a result, boards will have to step back from expecting staff to follow detailed multi-year plans and organizations will move toward more developmental approaches to evaluation that focus on learning and sensing opportunities.
- *Leadership*: Leaders must be capable of creating the context and culture in which learning, reflection and evolution can occur, inviting staff, grantees and other system stakeholders into collaborative problem solving.

SSIR asked a number of philanthropic leaders to comment on the article. Most of the commentators said they welcomed the overall message that foundations need to become more curious and creative in their approach to philanthropy. They add that foundations need to better promote and protect a marketplace of ideas and embrace a spectrum of alternative approaches to problems, even when they are risky or seem counterintuitive. Several respondents said that too frequently problems that cannot be measured are viewed as less important, and that philanthropy needs to be more patient in its approaches to problem solving and evaluation, providing larger sums of multi-year support and additional flexibility to grantees. However, some respondents had reservations that any type of problem – simple or complex – could be solved through a rigid form of strategic philanthropy, noting that the nature of most problems are more complicated and difficult to solve than initially perceived. They say that in reality, the work described in the article is just an argument for using common sense and good judgment in how philanthropy addresses problems, and that a “new model” is not needed, suggesting that many of the emergent approaches prescribed are exactly what good program officers and foundations do every day.

The article is available at the following link:
http://www.ssireview.org/up_for_debate/article/strategic_philanthropy

Responses to the article are available at the following link:
http://www.ssireview.org/articles/entry/strategic_philanthropy

Ten Keys – Ten Years Later: Successful Strategic Planning for Foundation Leaders
Richard Mittnhal, Chris Carona, and Ashley Blanchard
TCC Group
June 2014

This paper updates a 2004 briefing paper by TCC Group on strategic planning for both foundations and nonprofits. This update focuses exclusively on foundations and reimagines some of its earlier lessons based on two newer realities. First, the lens for planning efforts has shifted from an individual organization to the broader social ecosystem in which the foundation is embedded. Second, change strategies that go beyond grantmaking are becoming more prominent.

The ten keys of successful strategic planning include the following:

1) Agree on the reason for undertaking a planning process and ensure that its purpose and intended outcomes are clear for all involved.
2) Ensure the CEO has a clear blueprint for how to lead staff, board members, consultants and other constituents through the planning process.
3) Develop strong relationship between the board and the staff leadership based on candor and open communication, and that those responsible for carrying out the plan, like key staff members, are included in its creation.
4) Collect, analyze and use data about what is working, what is not working and the needs and opportunities outside the organization that can inform strategy development and decision making.
5) Consider using a range of tools beyond grantmaking to increase impact such as research, advocacy, communications, information sharing, field building, movement building, convening and capacity building.
6) Learn from the successes and failures of other organizations to identify the most appropriate practices and approaches since there is no one-sized fits all approach to planning.
7) Take time to define success and how the foundation will hold itself accountable with clear objectives and metrics for the foundation and its primary organizational objectives.
8) Understand the foundation's place in the ecosystem in which it operates asking questions such as: where are the promising approaches worthy of additional investment? Who are potential partners that bring complementary resources to the table?
9) Assess organizational strengths and challenges by analyzing the practices, structures and internal capacities necessary to carry out the foundation's work.
10) Create a planning process that codifies the decisions made about the foundation's future and the specific steps needed to get there.

A copy of the briefing paper can be found at the following link:
http://www.tccgrp.com/pubs/ten_keys_ten_years.php?utm_source=Copy+of+10+Keys%2C+10+Years+Later+&utm_campaign=10+Keys+&utm_medium=email

Is Grantmaking Getting Smarter? A National Study of Philanthropic Practice
J McCray
Grantmakers for Effective Organizations
November 2014

This report presents findings on grantmaking practice that bolsters nonprofit results, the latest in a series of reports that GEO releases every three years. The data is based on a national survey conducted in 2014 of 4,175 staffed grantmaking foundations. 629 of the organizations responded to the survey (a response rate of 15 percent), and supplemented with interviews and panel data of nonprofit and foundation leaders.

Findings center on four foundation practices that increase the impact of nonprofits.

1. Supporting Nonprofit Resilience
   - General operating support is on the rise, increasing from 20 percent of median grant dollars in both 2008 and 2011 to 25 percent in 2014.
   - Multi-year support is nearing its 2008 levels with 58 percent now providing such support at least sometimes, a sharp increase from the 29 percent providing it in 2011.
   - More than a quarter of foundations increased the following types of support: multi-year awards (31 percent increased); general operating support (27 percent increased); and capacity building (27 percent increased).

2. Building Strong Relationships with Grantees
   - Most foundations (53 percent) ask grantees for feedback and those feedback levels are on the rise, a 17 percentage point increase from 2008.
   - A majority of funders (52 percent) seek grantee input to shape policies, practices, program areas and strategy, an increase of 10 percentage points since 2011.
   - While many foundations say they are willing to talk with nonprofits about key financial issues, most nonprofits do not feel that way.

3. Collaborating for Greater Impact
   - 80 percent of foundations believe it is important to coordinate resources with other funders working on the same issue.
   - 69 percent of foundations have developed strategic relationships with other funders.
   - Only 13 percent of foundations “always” or “often” support grantee collaboration, and half say they “never” or “rarely” support such collaboration.

4. Learning for Improvement
   - Three-quarters of foundations evaluate their work, a slight increase from 2011.
   - 87 percent of foundations provide evaluation results on grants to their board but less than half share findings with other funders, grantees or other stakeholders.
   - Among funders providing capacity building support, 77 percent of them provide support to build the evaluation capacity of grantees.

The full report can be found at the following link:
http://www.geofunders.org/resource-library/all/record/a066000000H6creAAB

Re-constructing Philanthropy from the Outside-In
Paul Shoemaker
Social Venture Partners
February 2015

This essay argues that philanthropy has a lot of good resources, ideas and strategies, but that its practices are outdated, more grounded in an inside-out, funder-centric point of view. The author says that philanthropy needs to be more *outside in*, driven by external realities and signals of the grantees, programs, and systems that it is trying to change.

To achieve a more outside-in approach, philanthropy might:

- *Provide unrestricted, but accountable, funding*. Restricted funding does not allow nonprofits to pivot and move in ways that assure their effectiveness, and often damages the nonprofit's ability to have an impact. Unrestricted funds allow the space for nonprofit to make better, quicker decisions and to ensure their own success.

- *Provide funding for the long-term* (much longer than is currently practiced). One-time and short-term funding is, for the most part, dabbling. If philanthropy is serious about the goal of solving problems and not about the process of grantmaking, then it should restructure its thinking about how long-term it needs to be to create change.

- *Connect to peers in sustained, systematic wa*ys. Philanthropy has done much to encourage collaboration and mergers among nonprofits but too little collaborative undertaking itself, despite obvious benefits. Sustained relationships between funders should be a core, inherent practice for the field, not just nice to have.

- *Help to build more great strong boards*. Too many nonprofit and foundation boards either do not understand or cannot carry out their role correctly or effectively. Philanthropy has to increase its diligence about board leadership, thinking of the board as just as integral as staff, and therefore investing in strengthening it; and it must look at its own board and ask if they are practicing as would be expected of a nonprofit.

- *Listen to the beneficiaries of philanthropy more closely*. Because beneficiaries of philanthropy don't pay for the programs and services delivered, philanthropy is removed from and often doesn't hear what the beneficiaries have to say. Funders need to become more engaged in what the community or beneficiaries say they need by helping to build the capacity of nonprofit partners so they can listen in meaningful ways; and by developing more cultural competency and other skills within philanthropy so it can work with the community directly.

The essay is available at the following link:
http://www.ssireview.org/pdf/Re-Constructing_Philanthropy_FINAL.pdf

Systems Grantmaking Resource Guide
Grantmakers for Effective Organizations and Management Assistant Group
February 2016

This resource guide provides an overview of systems grantmaking; a self-assessment of how foundations can integrate a systems lens into their grantmaking approach; and links to a series of systems-related resources. The guide is based on 30 interviews with systems experts and philanthropic leaders, along with a review of more than 175 websites, articles, books and videos to identify relevant systems grantmaking resources.

"Systems grantmakers" seek to: define the boundary of the systems they are attempting to influence; understand the relationships among components of the system; and experiment with what works and what doesn't to influence the system. A systems approach is most useful when trying to address complex problems where there are multiple solutions, little agreement on which opportunity to pursue, and a lack of predictability about what will happen next.

Grantmakers with a systems mindset understand that:

1. Systems are dynamic and are comprised of more than just the sum of their parts.
2. Cause and effect in a system is not always linear.
3. Patterns and trends can be observed within systems but one should not expect them to necessarily stabilize over time.
5. Approaches to systems problems must incorporate continuous learning, involve experimentation, and they tend to be adaptive.
6. Engagement of diverse stakeholders provides important perspectives to understanding and addressing the problems.
7. Foundations and other groups have different amounts and types of power the can impact how systems function and change.

The guide provides a self-assessment tool for how a foundation can adopt a systems lens for their grantmaking that is linked to a variety of resources. These resources are organized by different grantmaking stages such as: developing a grantmaking strategy, identifying and selecting grantees, shaping and monitoring grants, assessing impact and learning; by different systems-related questions such as: "What is the social network in the system and how can the network be influenced?" and "What are the patterns of behavior and how can we influence them"); and by different resource types such as: visual mapping tools, narrative reporting tools, process tools and theories and frameworks. The resource guide concludes with some examples of how each of the resources can be applied in the field.

The full article can be accessed at the following link:
http://www.geofunders.org/resource-library/all/record/a066000000KkYmsAAF

A New Power Grid: Building Healthy Communities at Year 5
The California Endowment, **April 2016**

This report examines the first five years of The Endowment's Building Healthy Communities program, a 10-year place-based strategy focused on 14 California communities that also emphasizes statewide change ("place-based-plus"), highlighting the progress and lessons learned.

What has been achieved through BHC?

- Improved health coverage for the underserved, including the successful implementation of the Affordable Care Act and the expansion of Medicaid.
- Strengthened health coverage policy for the undocumented including leading the #Health4All Campaign that paved the way for state-supported health coverage for the undocumented.
- School climate, wellness and equity improvements including efforts to reform harsh school discipline and suspension policies and the implementation of school equity funding formulas.
- Prevention and reform support in the justice system including supporting health- and prevention-oriented justice reform and leading Prop 47 implementation efforts.
- Public-private investment and policy changes for boys and young men of color including a range of advocacy efforts and creation of a Select Committee in the legislature on the issue.
- Local and regional progress on more than 100 local policies and system change efforts, led by BHC grantees, that promote a culture of "health in all policies," such as more walkable communities, fresh food access, park space, and clean drinking water.

What The Endowment has learned about its progress?

- It is critical to help build leadership at the local level within underserved and lower income communities, empowering them to flex their muscle and exert influence on systems.
- By investing in local leaders TCE built trust that led to positive local and statewide change.
- Youth engagement in and across the 14 sites has been robust and has been a powerful tool for creating and sustaining BHC change efforts.

What are some thoughts for philanthropy?

- Place matters. Working within specific geographies reveals tangible dimensions of inequality, inequity, injustice and exclusion, as well provides a way to observe changes.
- Narrative change. Empowering those such as undocumented immigrants and young people of color can lead to narrative changes that are critical to making progress on policy and practice.
- Power building and advocacy. Philanthropy needs to be more assertive in confronting the dynamics of political power, race, class and how change actually occurs.
- Working at the intersection of place, policy and inequality is difficult and requires dedication and a long view of community advocacy and change.

What are some thoughts for the field of public health and public agencies?

- Public institutions and health delivery systems must be more attentive to and intentional about meaningful and engaged listening at the community level.

The executive summary and full report can be accessed at the following link:
Report: http://www.calendow.org/wp-content/uploads/BHC_Halftime_Report_2016_Rev_3.pdf
Summary: http://www.calendow.org/wp-content/uploads/BHC_Executive_Summary_20161.pdf

“Pay-What-It-Takes Philanthropy: Up for Debate Series”
Jeri Eckhart-Queenan, Michael Etzel, and Sridhar Prasad
Stanford Social Innovation Review
Summer 2016

This article suggests a flexible approach grounded in real costs for funding nonprofit overhead costs – “pay-what-it-takes” philanthropy – to replace rigid caps on overhead reimbursements.

The Bridgespan Group analyzed the financial records of 20 nonprofits with annual budgets from $2 million to $650 million and grouped them into one of four nonprofit types – direct service, policy and advocacy, international networks and research organizations. They then categorized each organization’s indirect costs – those not attributed to a specific program or service – into administrative expenses, costs to maintain field and network operations outside of headquarters, physical assets and knowledge management expenses. Their analysis leads them to conclude that flat-rate reimbursement doesn’t work because it fails to account for differences in how nonprofits operate, and that the common 15% reimbursement rate underfunds nonprofits of all types. Moreover, it makes it harder for nonprofits and foundations to have honest conversations about what the real costs are of running a program or achieving the desired impact. For example, nonprofits will often understate their actual costs because they are anxious about what a funder will think of them.

Initiatives like the Real Cost Project have formed to explore with nonprofits what it really takes to deliver on outcomes (as opposed to programs or services) and what a pay-what-it-takes approach would mean for foundation grantmaking practice. The authors contend that data gathered through such efforts could be used to create benchmarks that differentiate by the type of nonprofit (e.g., the indirect costs of servicing food pantries versus arts organizations versus regional networks like the YMCA). These benchmarks could lay the groundwork for identifying best practices and setting indirect cost expenditures.

A number of leaders in the field responded to the analysis and recommendations. Among them:

- *Carolyn Miles, President and CEO, Save the Children*, says that segmenting similar nonprofits and setting benchmarks among them would be useful for nonprofits to gauge their own internal cost-effectiveness, but that funders should instead invest more resources to help nonprofits build their capacity to assess programmatic outcomes.
- *Fred Ali, President and CEO, Weingart Foundation and Antony Bugg-Levine, CEO, Nonprofit Finance Fund*, emphasize that full costs differ over time and by context, and that funders need to reorient their funding discussions around what their grantee partners can realistically achieve and then demonstrate their trust in them by providing general operating support.
- *J. McCray, Chief Operating Officer, and Kathleen P. Enright, Founding President and CEO, Grantmakers for Effective Organizations*, argue that funders should get rid of overhead caps, change the default setting of philanthropy to general operating support, and create a deeper understanding of nonprofit finance across the sector.

The lead article and all the responses are available at the following link:
http://ssir.org/articles/entry/pay_what_it_takes_philanthropy

Shaping Culture: Through Key Moments
Grantmakers for Effective Organizations
November 2016

This report examines why culture is important to organizational effectiveness and the core attributes for culture that can lead to more effective philanthropy. It is based on conversations with GEO members and 18 meetings with 150 CEOs over a three-year period (2013-2016).

Every interaction and communication inside and outside a foundation transmits organizational culture, influencing how staff and board members relate to and work with each other as well as with grantees and other external partners. Culture links to foundation strategy, hiring and operations, and is especially important for foundations to consider because of the power imbalance with nonprofits. As a result, foundations need to understand the importance of their culture and be intentional in shaping it.

There are a number of inflection points that can present opportunities for shaping organizational culture, including: leadership transitions, significant changes in foundation assets, planning processes, responding to grantee and community feedback, anniversaries, relocations, and in reaction to, or anticipation of, external changes like new technological advances or demographic changes. GEO's conversations reveal six core attributes of positive foundation culture.

1. **Collaboration and partnership** can help tap into new ideas, bring more resources, and reduce duplication of effort. Creating such a culture often means challenging the status quo where grantmakers make decisions behind closed doors and work to build branded programs.

2. **Diversity, equity and inclusion** provides opportunities for drawing in perspectives that better reflect communities served and leads to better results. The sector has more work to do, particularly at the CEO and board level on this issue.

3. **Respect and humility** is essential to mitigate the power dynamics inherent in relationships between foundations and nonprofits and the communities served. Foundations should seek to lift up and listen to the perspectives of those who are closest to the issues.

4. **Responsiveness** pertains to the idea that philanthropy should be more tuned into understanding the issues of the communities and nonprofits they serve. Foundations can improve responsiveness by using grantee surveys and keeping close contacts with communities served.

5. **Transparency and trust** are attributes that are critical to ensuring good relations with nonprofit partners and the community at large. Opening up and communicating how foundations work and creating a dialogue with grantees and the public is critical to building trust.

6. **Curiosity and learning** is essential for funders to sharpen their strategies and improve their impact. Creating a learning culture means creating systems that allow and support board members, staff and grantees to assess performance and to embrace failure as a way to learn and improve.

The report closes with five stories from foundations about shaping culture as well as resources and tools for shaping organizational culture.

The report is available at the following link:
http://www.geofunders.org/resource-library/all/record/a066000000PHXkPAAX

“Systems Change in a Polarized Country”
Stanford Social Innovation Review
Mark R. Kramer
April 11, 2017

Mark Kramer argues that systems change work is critical to achieving large-scale social impact. While the term “systems change” is not new, definitions are often jargon-filled and hard to understand in practical terms. One key practical differentiator for foundations focused on systems change is that they are not focused on piloting small-scale programs so that government can take that program to scale, but rather they are trying to understand and influence the relationships and motivations of everybody in the broader system that is shaping the specific problem from the very start.

Based on interviews with 22 foundation CEOs, Kramer identifies five common practices that foundations engaged in systems change work have adopted to achieve large-scale social impact that are especially important given the current political climate.

1) **Working outside the nonprofit sector.** Systems change funders work inside and outside the nonprofit sector, leveraging market forces that drive for-profit companies and making efforts to improve the implementation and outcomes of existing government programs. They are trying to transform the profit motives of companies into an incentive for social progress and encourage better outcomes at lower costs of existing programs within government (rather than expecting or encouraging the launch of new programs).

2) **Forging cross-sector coalitions.** Systems change funders build common ground among key actors by forging cross-sector coalitions. They are often viewed as honest brokers that can command the attention of influential leaders across party lines, acting as diplomats and facilitating partnerships and coalitions across sectors.

3) **Changing the narrative.** Systems change funders understand that narratives shape how the public responds to a social problem. They are actively working to change the narrative by telling stories and reframing issues that can move policies forward that result in systems change.

4) **Trusting the lived experience to shape the solution.** Systems change funders elevate the voices of those with lived experiences especially the marginalized and disenfranchised. They try and empower these individuals so they can in turn shape the solutions required to influence the system.

5) **Reshaping the foundation.** Systems change funders examine their own staffing, budgeting, and operations to address racial and cultural blind spots. They also build capacity to focus on multifaceted problems rather than on separate program areas, they create new modes of evaluating their work, and they require active leadership roles for the CEO and board members.

The article is available at the following link:
https://ssir.org/articles/entry/systems_change_in_a_polarized_country

Peer to Peer: At the Heart of Influencing More Effective Philanthropy
William and Flora Hewlett Foundation
February 2017

This report looks at how foundations find knowledge and how it informs their practices. With funding from the Hewlett Foundation, Harder + Company and Edge Research interviewed 75 foundation staff and distributed a survey to the audiences of 11 different "knowledge producers and disseminators" including *Stanford Social Innovation Review*, CEP, GEO and *Nonprofit Quarterly*. More than 730 "foundation professionals" – those who work or are affiliated with a foundation – responded to the survey. In all, 528 different foundations, including 63 of the largest 100 grantmaking institutions by assets, were represented in the analysis.

- **Funders see their peers and colleagues as their most trusted knowledge sources and as their preferred means to gather knowledge.**
  - No single organization, association or publication was cited as a trusted source by more than a quarter of respondents suggesting some fragmentation across the field.
  - Foundation professionals gather a great deal of information through informal, ad hoc channels. For example, phoning or emailing with peers at other foundations to see what lessons they might draw from their experiences in the field.
  - Over three-quarters of respondents indicate conferences are their preferred method for accessing practice knowledge – primarily because of the in-person peer networking opportunities such conferences offer.
- **Funders feel overwhelmed by the volume of information they receive and want products that are easy to use, vetted for relevant information and not duplicative.**
  - More than four in ten of respondents describe the practice knowledge they receive from knowledge producers and disseminators through emails, publications, webinars and conferences as duplicative.
  - Respondents say their highest priority knowledge needs relate to evaluation and assessment; interviews suggested two areas of particular need: measuring the impact of their investments and understanding important lessons for implementation.
  - Sixty-seven percent of responding foundation staff cite grantees as one of the primary ways they seek out information.
- **Foundations most often use knowledge to challenge current practice and to compare what they are doing at the foundation with the field.**
  - Three-quarters of survey respondents say they have adopted or have considered adopting an idea or best practice within the last two years including philanthropic models and approaches, standards and ethics, diversity and inclusion, financial stewardship, governance, grantmaking, grants managements and learning and evaluation.
  - Knowledge products alone are not typically sufficient to influence changes in practice, but rather occur with changes in the foundation's external and internal environments.

The scan shows the value of practice knowledge to philanthropy while encouraging knowledge producers to find ways to better connect with foundations.

The full report is available at the following link:
http://www.hewlett.org/wp-content/uploads/2017/02/Hewlett-Field-Scan-Report.pdf

A summative article in SSIR is available at the following link:
https://ssir.org/articles/entry/using_knowledge_to_improve_funder_practice

“The Missing Link for Maximizing Impact: Foundations Assessing Their Capacity”
Melinda Fine, Jared Raynor, Jessica Mowles and Deepti Sood
***The Foundation Review (V*olume 9, Issue 2)**
June 30, 2017

While many foundations recognize the importance of capacity building, especially among their grantees, too few have systematically tried to assess themselves. This article describes the TCC Group’s Foundation Core Capacity Tool (FCAT) and cumulative results from 54 foundations that have used the tool (out of 75 invited). The authors stress that results are not representative of the foundation field but intended to prompt discussion for reflection and learning. [Note: Of these: 34% were private foundations, 24% community foundations, 18% family foundations, 16% public foundations, and 6% operating foundations. On an annual basis, two-thirds gave between $1 million, $10 million, 28% gave more than $10 million, and 16% gave less than $1 million.]

Overall, foundations generally rate themselves highly across the five core elements of foundation capacity. Among the key findings:

Leadership capacity

- They report strength in articulating a vision and maintaining a leadership role on issues.
- They are relatively less engaged in supporting advocacy and advancing diversity, equity, and inclusiveness of their staff.

Adaptive capacity

- They consider themselves less adept at developing strategies.
- They commonly underutilize data and evaluations to inform their decision-making.

Management capacity

- Foundations benefit from strong management across internal and external roles.
- They report some aversion to risk-taking.

Technical capacity

- There is wide variation among individual capacities concerning technical capacity.
- They believe their top skills are financial management, grantmaking and cultural competency.
- They see the need for enhanced technology and evaluation abilities.
- Fundraising capacity represents a challenge for some funders.

Organizational culture

- There is a consistent sense among foundations about their cultural values and assumptions.
- They perceive their institutions as less likely to value different perspectives.

By better understanding institutional capacity, funders can address staff needs, increase training opportunities and generate greater organizational capacity to make a difference. As more funders make use of FCCAT or other assessment tools, there will be an increased understanding of foundation capacity needs and a greater ability to generate more nuanced benchmarking by foundation type, size and other characteristics.

The article is available at the following link: http://scholarworks.gvsu.edu/tfr/vol9/iss2/10

“Time to Reboot Grantmaking”
Michael Etzel and Hilary Pennington
Stanford Social Innovation Review
Summer 2017

Research from The Bridgespan Group suggests that grant-fueled program growth can hollow out nonprofit capacity and leave nonprofits – even large, prominent ones – vulnerable to insolvency. A review of the financial health of 300 grantees, accounting for a third of the combined spending of the largest 15 US foundations, finds that over half have frequent or chronic budget deficits; and 40% have fewer than three months of reserves (including 10% with no reserves at all). In response, Bridgespan and the Ford Foundation developed a grantmaking pyramid that “reframes how to build successful, resilient organizations,” beginning at the top with:

1. **Increasing Impact**. Funders focus too quickly on trying to deepen or scale nonprofit programs with nonprofits having to fill gaps in their core capacities and financial health themselves. Funders should focus on building resilient and capable nonprofits that can enhance their impact themselves.
2. **Organizational Resilience**. Funders need to help nonprofit accumulate unrestricted net assets so that operating reserves can cushion unpredictable shortfalls and create space for them to pursue strategic goals and priorities.
3. **Foundational Capabilities**. Funders need to help support core functions like IT, staff development, utilities, rent, and travel as well “differentiating capabilities” that help a nonprofit fulfill its particular mission (e.g., advocacy organizations that may need policy and communications expertise).

Funders can use the pyramid to prompt discussion with grantees, which is what Ford is doing via their BUILD initiative, a five-year, $1 billion effort to strengthen organizations and networks working to address inequality. Among the questions that funders and grantees can use to discuss organizational needs include:

- **Leadership.** Does the organization have the right programmatic and non-programmatic leadership? What types of opportunities exist to strengthen talent development?
- **Diversity, Equity and Inclusion.** Does the organization actively manage diversity, equity and inclusion? What investments support these forms of organizational cultural change?
- **Governance.** Has the organization recruited, trained and retained the necessary board leadership? Are the board’s skills and connections fully leveraged?
- **IT Systems and Infrastructure.** Are systems up to date and is data and information secure? Do employees often fill gaps where IT systems or software fall short?
- **Fundraising.** Do non-development staff spend too much time focusing on fundraising efforts? Would additional support unlock new revenue streams?
- **Communications and Marketing.** Who is the organization’s audience and how can it best reach them? Does it have a strategy for influence and a capacity to measure it?
- **Learning and Evaluation.** How does the organization assess its impact? How does it use information to inform continuous learning and improvement?

The article can be found at the following link:
https://ssir.org/articles/entry/time_to_reboot_grantmaking

Is Grantmaking Getting Smarter 2017: A National Study of Philanthropic Practice
Grantmakers for Effective Organizations
November 2017

This report, which GEO has produced every three years beginning in 2008, examines whether foundations are adopting grantmaking practices that improve nonprofit performance, based on a survey distributed to 3,930 staffed foundations that had a response rate of 16 percent.

In this round, there are two new clusters of questions focused on organizational culture and equity.

- **Organizational Culture.** Half of the respondents believe their organizational culture is where it needs to be to maximize their effectiveness; 61 percent think their culture is helping them to attract and retain the talent they desire.

- **Putting Equity into Practice.** Eighty-four percent of grantmakers see diversity, equity and inclusion (DEI) as important or relevant to their work, yet fewer have taken steps in the last two years to institutionalize DEI. For example, 62% do not have an organizational policy or practice for board of director diversity and 60% don't have one for their staff. In addition, only about half (49%) report focusing on communities that have experienced oppression or discrimination.

The report also tracks survey results on key grantmaker practices from previous years.

- **Strengthening Relationships.** Over the past decade, grantmakers have gotten better at soliciting feedback, steadily increasing from 36% in 2008 to 56% in 2017. However, from 2014-2017, there was a slight dip in the percentage of funders who are seeking feedback from grantees or other stakeholders on their policies, practices or programs.

- **Flexible, Reliable Funding.** Thirty-one percent of grantmakers always or often provide multi-year support to grantees holding steady from the 2014, yet a smaller percentage of all grantmaking dollars in 2017 were awarded to general operating (20%) grants when compared to 2014 (25%).

- **Capacity Building.** Eighty-six percent of grantmakers provide capacity-building support today as compared to 65% in 2008. The most common form of such support is on leadership development (87%) as compared to only 49% on DEI.

- **Learning and Evaluation.** Three-quarters of grantmakers evaluate their work. However, most don't share this information; only 49% of those who evaluate share their findings with other funders and only 45% do so with their grantees.

- **Collaboration.** Seventy-one percent of grantmakers think it's important to collaborate with other funders and 79% think it's important or very important for nonprofits to collaborate with one another. There has been an increase in funding collaboration over the last three years moving from 47% to 57%.

The report is available on the following link:
https://www.geofunders.org/resources/968

Scaling Solutions Towards Shifting Systems
Heather Grady, Kelly Diggins, Joanne Schneider and Namah Paley Rose
Supported by Rockefeller Philanthropy Advisors
September 2017

This report looks at how funders can work toward supporting systems change and more sustained societal transformations by examining organizations that have been able to scale and achieve system-level shifts. It is based on interviews with nonprofits and social enterprises that have had success with systems change work, focusing on their experiences with funder behavior, as well as discussion with 100 funders about the issues that emerged from their conversations with grantees. As a result, the report offers some recommendations for funders that want to take action on systems change.

1) Empower grantees by consciously shifting power dynamics toward them.

- Institute practices to enable grantees to pursue strategy based on learning and experience.
- Ensure grant-term decision-making power is with those closest to the grantees.
- Discuss power dynamics and decision-making with founders, boards and executive teams.

2) Accelerate the work of grantees by holding active and honest discussions with them about strategic "non-monetary" support.

- Introduce grantees to aligned and interested funders and invite them to funder conferences.
- Provide expertise to support communications, marketing, human resources, finance and IT.
- Take board seats when the grantee see it as a good fit for the organization.
- Give awards, create social media attention, and find other ways to boost grantees' profiles, including online and other published pieces on grantees' scaling capacity.

3) Learn about shifting systems and when and how to support grantees to make changes.

- Work with grantees to map relevant systems for their work.
- Identify and take action to help connect system actors with grantees.
- Coordinate efforts with other funders in the same field about planning and implementation.
- Explore support for organizations enabling systems change who may be doing less direct service work that is harder to measure.

4) Collaborate and share intelligence with other funders.

- Share due diligence, financial checks, program audits, and site visit with other funders.
- Participate in leading or creating donor collaboratives.
- Coordinate with other funders and meet grantee needs by maximizing on respective strengths.
- Connect impact metrics with other frameworks such as UN Sustainable Development Goals.

5) Streamline and redesign grantmaking processes.

- Provide unrestricted funding, or allow a significant portion of the budget for overhead costs.
- Extend grant periods – doubling and tripling the length of the grant.
- Respond to grantees' pitch decks and allow them to be used with multiple funders.
- Accept strategic plans or business plans rather than requiring a foundation proposal template.
- Provide funding tranches by milestone achieved rather than by individual line items.

The report is available at the following link: http://12982-presscdn-0-38.pagely.netdna-cdn.com/wp-content/uploads/2017/09/RockPA-ScalingSolutions-WebVersion.pdf

"Social Enterprise Is Not Social Change"
Marshall Ganz, Tamara Kay & Jason Spicer
Stanford Social Innovation Review
Spring 2018

The rise and proliferation of social enterprise and entrepreneurship (SEE) may undermine society's ability to solve social problems by moving society away from power-focused, political approaches. SEE has achieved success not because there is empirical evidence that proves it is effective but because of ideological shifts that suggest government is the problem rather than the tool for solving social problems. SEE espouses the belief that markets, not government, will produce the best social and economic outcomes. In this view, social problems are solved by technical innovations that are driven by competition among individual social entrepreneurs, operating through for-profit, nonprofit or hybrid enterprises. In contrast, political approaches see social problems largely as power problems. Dealing with them requires collective political action and organized constituencies that use the power of democratic government to overcome inevitable structural resistance to social change. This is what has made large scale social changes possible in the past, from abolition to public education to labor rights to women's rights.

The authors argue that addressing social problems such as economic inequality or systems change such as criminal justice reform cannot be adequately addressed through SEE. While capitalism relies on market-based competition among firms rewarding innovation with economic success, there is nothing comparable in SEE. As a consequence, innovations and solutions for social problems rarely scale up without government involvement. Moreover, SEE proponents focus on "heroic" social entrepreneurs, viewing the individuals and not the collective as the key to broad scale social change. As a result, we minimize the power of ordinary citizens, democratic politics and the deployment of public resources to help address social problems.What is needed is to focus on organizing and mobilizing citizens to reclaim the power of the public voice.

The full article is available at the following link:
https://ssir.org/articles/entry/social_enterprise_is_not_social_change

Being the Change: 12 Ways Foundations are Transforming Themselves to Transform their Impact
Abigail Stevenson and Valerie Bockstette
FSG
April 2018

This report focuses on what internal practices foundations need to create impact at scale. It is based on interviews with 114 practitioners – representing 50 funders with a range of annual giving from $1 million to $1 billion – along with eight philanthropic service organizations.

Themes that emerge in the interviews about strengthening the social sector and meeting the needs of communities and scaling impact include:

- A desire to affect the **underlying conditions** that are holding problems in place such as the distribution of power and money across systems.
- A commitment to making **diversity, equity and inclusion** central to their work.
- A more concentrated focus on the **intersection of issues** faced by people and communities.
- An expanded use of **assets beyond financial resources** – relationships, data and information and networks – to achieve impact goals.
- A willingness to lift up others and **make space for stakeholders** to work together, especially those who might not otherwise be included.

Foundations are rethinking and changing their internal practices to model what they seek externally, including:

- Collaborating with grantees and community members to co-create their impact strategy and to tap their funder networks for possible co-funding.
- Structuring teams for the specific and unique approach used rather than relying on formulas or benchmarks alone.
- Building the foundation's internal capacity to develop and deploy impact investments and use other market-oriented approaches.
- Supporting advocacy-related efforts by creating and using different legal structures to influence policy.
- Bringing the work of evaluation and learning, communications, human resources, grants management, finance and legal departments to the forefront and integrating it more into programmatic and strategic work.
- Breaking down silos by focusing staff on the interconnection of issues across programs and spending time to build trust and relationships across the organization.
- Seeking out and supporting staff who are curious, humble, strategic, collaborative and adaptable.
- Hiring more diverse staff, especially those with "lived" experiences.
- Carving out sufficient time for dedicated and tailored staff development and training; and encouraging staff to spend time away from their desks and out in the community with grantees.

The full report, which contains resources, examples and tips for getting started, is available at the following link:
https://www.fsg.org/publications/being-change

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

Philanthropy in the New Age of Government Austerity
Daniel Stid, Alison Powell, and Susan Wolf Ditkoff
Bridgespan Group, Spring 2013

Policy: The Essential Investment
Elizabeth Russell and Kris Putnam-Walkerly
Blue Shield of California Foundation
June 2015

Stepping into the Fight: A Funder's Guide for Understanding and Supporting Legal Advocacy
Jared Raynor and Deepti Sood
TCC Group
June 2016

"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

Philanthropy in the New Age of Government Austerity
Daniel Stid, Alison Powell, and Susan Wolf Ditkoff
Bridgespan Group
Spring 2013

Philanthropy has long funded advocacy efforts designed to influence specific areas of public policy. However, government austerity measures have resulted in a zero sum game for such efforts, since advocating for an increase in funding in one area inherently entails decreasing it in another or raising taxes to pay for more government. Moreover, the lack of bipartisan cooperation in government – once the domain of philanthropy-funded advocacy efforts – makes such efforts less effective.

Due to the size and importance of government, the authors suggest philanthropists who have historically avoided government do so now at their peril, as they will increasingly be left to lift a heavier load in an age of austerity. Using data from a random sample of donors on the "Million Dollar List," the authors demonstrate the degree to which philanthropists and government overlap, finding that more than 40 percent of philanthropic gifts are connected in some way with government.

The authors describe and provide cases in which philanthropists have worked with government effectively, identifying three promising approaches beyond merely funding policy advocacy work.

- Investing in government's capacity to govern. This involves funding for leadership development, capacity building and other efforts designed to improve how government operates. Cases described include those of Broad Foundation's Residency in Urban Education and Superintendents Academy as well as Bloomberg's Philanthropies Mayor's Project.
- Helping high-performing nonprofits make better use of public funding. This involves underwriting the administrative and overhead costs of nonprofit grantees delivering government-sponsored programs. Cases described include Crittenton Women's Union Career Family Opportunity Initiative and the Nurse-Family Partnership program.
- Mending broken political and budget processes. This involves working with government to reform how it functions. Cases described include the California Forward Initiative and the work of the Peter G. Peterson Foundation.

The report offers the following suggestions for working in and around government: garden in your backyard (i.e. work at the local level or in areas where you are experienced); play the angles and levels (i.e. be creative and understand the political landscape); learn from others and share what you learn; accept the constraints (e.g. government can't "turn on a dime"); look for change makers; and complement, don't backfill, the work of others.

The full report can be found at:
http://www.bridgespan.org/getattachment/44f7da17-6296-4581-8daa 2dd359bb313d/Philanthropy-in-the-New-Age-of-Government-Austerit.aspx

Policy: The Essential Investment
Elizabeth Russell and Kris Putnam-Walkerly
Blue Shield of California Foundation, June 2015

This report describes how Blue Shield of California Foundation (BSCF) has approached public policy engagement, informing policy-related conversations before legislative debates occur and after as the policies are implemented. The report further outlines what BSCF has learned that might have implications for other foundations interested in policy-related efforts.

A focus for the foundation's policy work is to create an environment in which substantive and deliberative policy action can occur. It does this by funding non-partisan policy research and analysis; bringing in different stakeholders and perspectives to inform the policy development process; focusing policy debates on outcomes and not just immediate cost or funding implications; investing in pilot programs that test policies in action and how they might be scaled up; and building the capacity of nonprofits and government agencies through leadership training and development programs. Once a policy has been enacted, BSCF then works to support its implementation. This work often takes place at the local level where the foundation helps to gather information about what is working and what the challenges are and sharing that with various stakeholders.

In addition to the difficulty of assessing policy work, some of the challenges of this work are:

- Understanding the regulatory boundaries that guide foundation advocacy.
- Navigating issues where there is a potential conflict of interest with its corporate parent and the perceptions and misperceptions about its role as a corporate-sponsored foundation.
- Facilitating policy discussions that meaningfully address current issues while helping to set the stage for tackling future or anticipated challenges.
- Maintaining the balance between allowing space and time for stakeholders to formulate ideas and pushing them to action.
- Adjusting to the turnover of elected officials and the pace of government in general.

Some of the lessons learned that may have implications for other foundations are:

- A narrow policy focus (in BCSF's case, on the healthcare safety net and domestic violence) allows one to accrue a deep understanding of the issues and the relevant stakeholders.
- Understand the policymaking process and cultivate a range of policy tools to map the right strategy with the right tool at the right time.
- Find the areas that best fit the mission, approach and expertise of the various stakeholders.
- Work with other funders to amplify how quickly policies are developed and implemented and the depths of policy change that can be reached.
- Be transparent and clear with all stakeholders about what the foundation hopes to accomplish to avoid unwanted confusion or unrealistic expectations down the road.
- Be humble and respectful with various stakeholders to create more productive relationships.
- Delve deeply into the policy issues internally without relying too much on consultants.
- Find common ground by thinking through the foundation's policy goals holistically.

The full report is available at the following link:
http://www.blueshieldcafoundation.org/sites/default/files/covers/BSCF%20Policy%20the%20Essential%20investment%20report%20%202015-08-14.pdf

Stepping into the Fight: A Funder's Guide for Understanding and Supporting Legal Advocacy
Jared Raynor and Deepti Sood
TCC Group
June 2016

This report examines legal advocacy – "using the law as a means to effect change" – as a tool for foundations to advance a variety of issues, particularly those relevant to justice and equality. It is based on interviews with staff of foundations supporting legal advocacy work and legal advocates themselves. Examples of legal advocacy includes: developing research and publications, writing draft policy, administrative or executive advocacy, legal support, writing amicus briefs, and litigation.

Legal Advocacy as a Grantmaking Strategy

- Funders should defer to legal advocates for a proper assessment as to whether or not the legal environment is appropriate, but should themselves seek to understand what is at stake, what harm is being done, and what other legal activity has occurred (e.g., past or pending cases).
- Funders should examine whether advocates have the legal capacity to move the issue forward; determine whether there are other forces at play to galvanize the issue; and look for partners that can help to support a broader movement.
- Funders should examine the different options and venues for legal advocacy work to determine what roles they might play including: identifying issues/causes; developing and promoting a narrative; building the capacity of legal advocacy organizations or non-legal advocacy organizations that support the work; conducting background research; providing counsel/legal aid support; securing amicus briefs; supporting initial filings or discovery activities; and supporting litigation and appeals.
- Funders should determine whether the legal work is aligned with an issue the foundation cares about; how the foundation's involvement might affect other strategies it supports; and a prognosis of what happens if the strategy is or is not successful.

Making Legal Advocacy Grants

- Funders should consider the organizational capacities of potential legal advocacy partners including: a proven track record, strong leadership, clear strategic alignment with the goals, and a good reputation.
- In making grants, most funder prefer using general operating support, which provides flexibility to design and execute a strategy tied to a particular case.
- Funders should help their boards understand legal advocacy and get their buy-in for such work by linking the legal advocacy strategy to complementary approaches and goals for the foundation.

Framing Outcomes of Legal Advocacy

- Securing a desired legal verdict/result or a desired legislative/executive result
- Increasing the visibility of the issues at play
- Changing the media narrative about the issue
- Empowering the affected community
- Changing the public perception or understanding of an issue
- Improving the effectiveness or visibility of other advocacy strategies

The full report is available at the following link:
http://www.tccgrp.com/pdfs/FunderGuidetoLegalAdvocacy.pdf

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

Nonprofit-Government Contracts and Grants: California Findings
Brice McKeever, Marcus Gaddy, and Elizabeth T. Boris with Shatao Arya
Urban Institute
September 2015

“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

Nonprofit-Government Contracts and Grants: California Findings
Brice McKeever, Marcus Gaddy, and Elizabeth T. Boris with Shatao Arya
Urban Institute
September 2015

This study examines nonprofit-government contracts in California, based on a national survey of public charity nonprofits that reported $100,000 or more in expenses in 2012. The study finds that California nonprofits widely report dissatisfaction with the complexity of reporting and application requirements, the limits on program and organizational overhead expenses that restrict the recovery of the full costs of services, and late reimbursements for services rendered.

Key Findings:

- *Financial State of California Nonprofits with Government Contracts*. Nearly half of California nonprofits that receive government funding reported decreases in revenue from federal (48%), state (49%) and local (48%) government agencies.

- *Failure to Cover Full Program Costs*. 69 percent of California nonprofits report that government payments fail to cover the full program costs (compared with 54 percent nationally); and 53 percent of those that reported insufficient government payments led organizations to draw down reserves; while 17 percent reduced the number of employees.

- *Limits on Administrative Expense Reimbursements*. 65 percent of California nonprofits received 10 percent or less for program and general overhead expense reimbursements.

- *Application and Reporting Requirements*. Nearly 80 percent of California nonprofits have problems with government reporting requirements, with 29 percent of nonprofits seeing time-consuming reporting requirements as a "big problem."

- *Late Payments*. 59 percent of California nonprofits cite late payments for services rendered as a problem which appears to be associated with increased lines of credit.

- *Changes to Government Contracts Midstream.* 51 percent of California nonprofits reported a problem with changes to government grants and contracts; the most common of problems were increased service requirements, increased reporting requirements and decreased payments. Those that reported changes in government contracts as a problem were more likely to tap their reserves and decrease program staff and sites than others.

The report concludes by suggesting that the administrative burdens on nonprofits would be lessened – allowing them to focus on achieving their public-service missions – by developing streamlined reporting and application processes and paying nonprofits the full cost of services on time.

The full report is available at the following link:
http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000348-Nonprofit-Government-Contracts-and-Grants-California-Findings.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

Working Well with Grantees: A Guide for Foundation Program Staff
Center for Effective Philanthropy
August 2013

Nonprofit Challenges: What Foundations Can Do
Center for Effective Philanthropy
September 2013

Participatory Grantmaking: Has its Time Come?
Cynthia Gibson
The Ford Foundation
November 2017

Staying Connected: How Five Foundations Understand Those They Seek to Help
The Center for Effective Philanthropy
December 2017

Relationships Matter: Program Officers, Grantees, and the Keys to Success
The Center for Effective Philanthropy
November 2017

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/

Working Well with Grantees: A Guide for Foundation Program Staff
Center for Effective Philanthropy
August 2013

This report provides suggestions for foundations to better understand and improve working relationships with grantees. The findings are based on 10 years of accumulated data from two surveys conducted on behalf of 285 foundations: the grantee perception report, which has been completed by 50,000 grantees of foundations that range in size from $314,000 to $34.6 billion in assets; and the applicant perception report, which includes applicants to foundation that range in size from $33.3 million to $8.6 billion in assets. Data is also drawn from interviews with eight foundation program officers.

Previous findings from CEP suggest that foundation-grantee relationships are heavily influenced by their perceptions of foundation staff. In particular, strong relationships are characterized by grantees feeling positively about their interactions with foundation officers. To form them, foundations should:

- Understand the grantee's goals and strategies, ask questions and spend time with them
- Provide a clear and open selection process that does not pressure grantees into new areas
- Understand what they fund by learning from grantees, research and professional development
- Have the right balance and frequency of interaction with grantees

Grantees perceive assistance from foundations that go "beyond the grant" as important, which half of respondents reported receiving. Such support includes a focus on organizational management and technical assistance as well as convenings, information sharing about research and best practices, and making introduction to other field leaders. Before proceeding, foundations should:

- Ask themselves how such assistance might contribute or align with foundation goals
- Evaluate whether they are well-positioned to provide the needed assistance
- Assess the impact they could have beyond the grant

Providing multi-year operating support is seen by grantees to be important. It may make sense when the mission of the grantee is well aligned with the goals of the foundation. Foundations should:

- Have open, internal discussion about the value of providing operating support
- Evaluate their portfolio of grantees to determine which, if any, might benefit from longer, larger operating grants and why

Making a foundation's reporting and evaluation process useful to grantees helps to maintain better relationships. Almost half of survey respondents spend more than 15 hours on foundation-required monitoring, reporting, and evaluation processes for each grant. To expedite things, foundations should:

- Be clear with grantees up front about what needs to be accomplished and how it will be assessed
- Develop trusting relationships with grantees, while recognizing that the process can be messy

It is important for foundations to preserve relationships with nonprofit that they decline for funding. Two-thirds of nonprofit applicants that were declined by a foundation believed they had fit with the foundation's funding guidelines and were frustrated by the result. This suggests foundations could do more to ensure they do not encourage applications from those who don't fit the foundation's profile. To this end, foundations should:

- Work to create open and trusting relationships with nonprofits, including providing information to those that are declined as to the reason they are not being funded
- Make sure the foundation's website and written materials provide clear and specific information about funding priorities and the application process

The report is available at the following link:
http://www.effectivephilanthropy.org/assets/pdfs/Working_Well_With_Grantees.pdf

Nonprofit Challenges: What Foundations Can Do
Center for Effective Philanthropy
September 2013

This report focuses on the perspectives of nonprofit leaders about the challenges they face. It is based on responses from 121 nonprofit executive directors from CEP's Grantee Voice panel. By joining the panel these nonprofit leaders, whose organizations receive some funding from foundations that give at least $5 million in grant dollars annually, agreed to complete short surveys about topics relevant to their experiences working with foundations. (The median value of responding organizations were as follows: 11 FTEs, $1.2 million in annual expenses, 29 years old and 20% reliant on foundation revenue). The response rate of the 300 nonprofits leaders surveyed was 41 percent.

The report focuses on three areas.

First, only half (52 percent) of nonprofit leaders believe foundations are aware of the challenges that nonprofits face. Moreover, only 31% believe that foundations take advantage of their resources to help nonprofits address those challenges; and only 36% think that foundations share the knowledge they have about other nonprofits and how they are addressing similar challenges.

Second, nonprofits increasingly want foundations to help them address their challenges. Eighty percent of nonprofit leaders want more help from foundations in meeting increased demand for programs and services; 77 percent want more support in using technology to improve their organization's effectiveness; and 75 percent say they want more assistance in developing their leadership skills. The report also suggests that of those organizations that seek to influence public policy, 66 percent think foundations are in a good position to help them and want foundations' support.

Third, of the 85% of nonprofit leaders for whom maintaining or growing earned revenue is a relevant issue, 72% want more help from foundations.

The report concludes with some general questions for foundation staff to ask themselves when thinking about the challenges that nonprofits face:

1. How confident is your foundation in understanding the challenges that nonprofits face?
2. What is your foundation doing to build relationships with grantees so they feel open about sharing their challenges with you?
3. Have you and your colleagues reflected on the resources, knowledge and connections that the foundation could be using to help grantees?

The report is available at the following link:
http://www.effectivephilanthropy.org/assets/pdfs/Nonprofit_challenges_09-09-13.pdf

Participatory Grantmaking: Has its Time Come?
Cynthia Gibson
The Ford Foundation
November 2017

While funders increasingly talk about the need to involve grantees, community members and others in philanthropy, there has not been much exploration of the topic and even less commitment to adopting participatory practices. This Ford Foundation-commissioned report examines the trends, challenges and benefits of participatory frameworks to grantmaking and offers suggestions for involving non-grantmakers in the grantmaking process and, ultimately, decision-making.

Various factors have driven interest in participatory approaches from emerging technologies that allow people to connect, communicate and engage collectively and collaboratively in real time to populist demands for more open, transparent and accountable foundations. Proponents of participatory approaches to philanthropy suggest that democratizing grantmaking processes will not only lead to better decision-making and results but that it also will empower traditionally marginalized groups. On the other hand, skeptics say there is not strong evidence to suggest better decisions result from greater participation; that it tends to overemphasize process over outcomes; and that it makes ensuring accountability more difficult.

Drawing from a number of fields that have developed tools for reaching out and engaging local communities in decision-making, the author presents a draft framework for foundations to consider:

1. **Informing**. Grantmakers provide non-grantmakers with information about themselves and the grantmaking process (usually part of a public relations or public education initiative).
2. **Consulting**. Non-grantmakers weigh in on issues, providing feedback.
3. **Involving**. Grantmakers and non-grantmakers communicate in a reciprocal manner that allows the various parties to hear, understand and discuss differing perspectives.
4. **Deciding**. Non-grantmakers help to shape decisions in the grantmaking process – either in the pre-grant, granting or post-grantmaking stages.

Some steps that foundations can take to advance participatory approaches include:

1. Convening diverse groups of practitioners, scholars and others such as community organizers to get their input and ideas about processes for engaging grantees, residents and other non-grantmakers.
2. Creating a pilot with one or more foundation programs that involves a participatory approach and testing it over a period of time.
3. Exploring with foundation staff and board member central questions about the merits of participatory grantmaking: (1) Why should the foundation care about participation from non-grantmakers? (2) What might participation look like for the foundation?

The full report is available at the following link:
https://www.fordfoundation.org/media/3598/has-the-time-come-for-participatory-grant-making.pdf

Staying Connected: How Five Foundations Understand Those They Seek to Help
The Center for Effective Philanthropy
December 2017

A prior CEP report notes that nearly 70 percent of foundation CEOs say that learning from the experiences of those they are trying to help holds a lot of promise for increasing foundation impact. Drawing from interviews with the CEO and program staff of five foundations that are highly-ranked, according to how grantees rate them in CEP's grantee perception report, the report profiles how each connects with those they are trying to serve to gain a deeper understanding of their foundation's own approach and strategy.

Across the profiled foundations several common practices emerged:
1) Listening to and learning from grantees as the experts doing the work on the ground.
2) Going out into the communities their work targets.
3) Hiring staff from the fields in which they fund.

Here are brief synopses for the five profiled foundations:

The Nord Family Foundation conducts extensive research into the social ecology of each grant to better understand the context in which the grantee is operating. Based on what they learn, they share innovations and practices across their grants portfolio. They also do site visits and talk with both front line workers (e.g., teachers, drug counselors, etc.) and consumers of related services (e.g., a homeless person receiving services in a transitional housing unit or an addict receiving services in a treatment facility) to better understand both the approaches that are being used and what seems to be helping.

Helios Education Foundation hires people who have lived experience as well as expertise and relationships in the focus areas they are working. They have also invested in developing an infrastructure for their research and evaluation so the foundation can learn what is happening and what seems to be working or not working in a timely, sophisticated and consistent way.

The Duke Endowment has built a culture in which staff are expected to go directly to the beneficiary in the community as well as the organization that is asking for support to understand the challenges and opportunities that exist. They cast a wide net in terms of listening to different perspectives before drawing conclusions and they also hire staff members with lived experience in the areas they are focused to help them better interpret what they are learning and connect with those they serve.

The Harry and Jeanette Weinberg Foundation also meets with both grantees and those they serve. By hearing from individuals receiving services, they receive a more direct, personal understanding of the importance of the work. The foundation also ensures that its staff members serve on related committees and collaboratives to not only learn about best practices and current trends, but also to build relationships with the larger community that is working on these issues.

SC Ministry Foundation uses many of the same best practices as other profiled foundations, but also uses its six-month grantee progress reports to have structured conversation and dialog about what is working, what is not working and what improvements may be needed.

The full set of foundation profiles can be found at the following link:
http://cep.org/portfolio_category/beneficiaries/

Relationships Matter: Program Officers, Grantees, and the Keys to Success
The Center for Effective Philanthropy
November 2017

This report synthesizes past information gathered from CEP's grantee perception surveys and previous reports to examine what it takes for funders – and their program officers – to have strong relationships with grantees. The report relies on interviews with 11 "highly-rated program officers" to better understand how they view their role, how they spend their time and what they think it takes to be a good program officer.

There are three primary findings:

Program officers play an important role in shaping the funder-grantee relationship. These include the types of interactions that occur between the funder and grantee during the selection process, in the context of reporting and evaluation and how the grantee perceives the foundation overall. There is substantial variance in how grantees perceive the same foundation based upon the program officer with whom they are in contact.

Understanding grantee organizations and transparency are key to a strong relationship. By understanding the grantee's strategies and goals, organizational challenges and the context in which the grantee works, program officers are better positioned to reach mutually agreed-upon goals. Transparency is about clarity, openness and honesty. When foundations are transparent with grantees, grantees can better obtain information important to their success.

Program officers can further strengthen funder-grantee relationships by sharing information in the selection process and by actively listening to the ideas of grantees. The ideal selection process should not only help the foundation in its grant selection, but should also help grantees gain more clarity about the foundation and its priorities, activities and values. In addition, by actively listening to grantees about their ideas and how they can collectively approach the work, including how the foundation's strategy or approach is viewed or affects grantees, program officers open up new pathways to effectively address issues related to their work and build up trust for grantees to reach programmatic goals.

The full report is available at the following link:
http://research.cep.org/relationships-matter_program-officers_grantees_keys-to-success

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

Foundations for Social Impact Bonds:
How and Why Philanthropy Is Catalyzing the Development of a New Market
Social Finance
March 2014

Investing and Social Impact: Practices of Private Foundations
Phil Buchanan, Jennifer Glickman and Ellie Buteau
The Center for Effective Philanthropy
May 2015

"Making Markets Work for The Poor: How the Bill and Melinda Gates Foundation Uses Program-Related Investments"
Supplement in Stanford Social Innovation Review
Summer 2016

From Innovation to Practice: Impact Investing Education and Training
Michael Chodos and Anne Johnson
Beeck Center for Social Impact and Innovation at Georgetown University
August 2016

Mission Possible: How Foundations are Shaping the Future of Impact Investing (Series)
Stanford Social Innovation Review in Partnership with Mission Investors Exchange
Spring 2017

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, 2005

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

Foundations for Social Impact Bonds:
How and Why Philanthropy Is Catalyzing the Development of a New Market
Social Finance, March 2014

This report looks at what foundations might do to support the further development and expansion of social impact bonds (SIBs) – a financing tool designed to raise private-sector capital for social service programs. It is based on interviews with leaders at 30 different foundations and organizations with early experience or interest in supporting the social impact bond ecosystem.

These foundations say they are attracted to using SIBs because: they are focused on prevention, rather than remediation; they have the potential to encourage government efficiency with their focus on outcome and performance measurement; they are inherently collaborative since they require coordination across sectors; and they can be used to scale or amplify impact to benefit more individuals than might be possible through traditional means.

There are several ways foundations are engaging in the expansion of the SIB market:

- *Grantmaking*. Grants can be provided to service providers, intermediaries, and government to build their capacity to devise, implement and evaluate programs ripe for SIBs. Grants can also fund market research about the SIB ecosystem, feasibility studies about worthwhile investments or dissemination of useful information about SIBs. Grants can also help to prove a concept or program by funding demonstration projects or to subsidize early stage implementation that may have high start-up costs. Finally, foundations can help to pay for achieved outcomes to supplement government payments or to mitigate the risks to private investors.
- *Investment*. Foundations can use program related investments to invest in the SIB market. These can be used to fund entire projects or combined with commercial capital or grants to finance the transactions.
- *Advocacy*. Foundations can advocate and educate key stakeholders about SIBs, especially lawmakers and government officials on how SIBs work and why they are important.

Challenges related to the entry of foundations into the SIB market include: a perception that the SIB market is overhyped; the difficulty in changing how foundations think about their role as change agents; and that by participating in the market, foundations are not helping to grow the resources available for social services. Once committed, foundations are also challenged by the difficulty of developing an SIB strategy and engineering its effective implementation, evaluation and their own exit strategy.

The report concludes with ways foundations can contribute to building a stronger market ecosystem for SIBs: (1) educating potential stakeholders about SIBs through convenings, training programs, market outreach and technical assistance; (2) helping to establish market standards for SIBs such as contract templates, timelines and guidelines for selecting service providers or measuring outcomes; and (3) improving the accessibility and availability of good quality data so SIBs can be developed, priced and launched with the best information possible.

The report is available at the following link:
http://www.socialfinanceus.org/pubs/foundationssocial-impact-bonds-how-and-why-philanthropy-catalyzing-development-new-market

Investing and Social Impact: Practices of Private Foundations
Phil Buchanan, Jennifer Glickman and Ellie Buteau
The Center for Effective Philanthropy
May 2015

This report examines the current state of foundation practices for impact investing and negative screening. It is based on a survey of 230 CEOs private foundations providing $10 million or more in annual giving; the response rate was 32 percent. The overarching finding of the report is that impact investing and negative screening are more the exception than the rule, a trend that is unlikely to be reversed any time soon.

Impact Investing

- While 41 percent of responding CEOs say their foundation engages in impact investing, a majority say they either don't engage and don't plan to in the future (20%) or don't engage and aren't sure whether they will in the future (33%).
- Of those foundations that do engage in impact investing, the most common areas are community development (46%), employment/economic development (42%) and education (38%).
- The median percentage of foundation resources allocated to impact investing is quite small with only 2 percent of endowments and 0.5 percent of program/grant budgets going towards impact investments.

Negative Screening

- Most foundation (83%) say their foundations do not engage in negative screening (i.e., excluding particular industries/companies from their investment portfolios).
- Only 10 foundations say they screen out particular types of investments (among them seven screen out tobacco companies and three screen out fossil fuel companies).

Attitudes Toward Investment Approaches

- Only 8 percent of foundation CEOs say investing in companies that align with the foundation's values and/or mission is "very important" to their investment decisions while 86 percent cite achieving a financial return as "very important."
- 82 percent of responding foundation CEOs say their board interprets its fiduciary responsibility as focusing on the financial return of foundation investments.
- Concern about compromising financial returns seems to explain the small sums as a proportion of grant budgets or endowments allocated toward impact investing, with 77 percent of CEOs saying they are receiving either somewhat or significantly lower returns on their impact investments.

The full report is available at the following link:
http://www.effectivephilanthropy.org/portfolio-items/investing-and-social-impact-practices-of-private-foundations/

“Making Markets Work for The Poor: How the Bill and Melinda Gates Foundation Uses Program-Related Investments”
Supplement in Stanford Social Innovation Review
Summer 2016

This supplement examines how the Bill and Melinda Gates Foundation uses PRIs to spur scientific and technological breakthroughs in the fields of public health, public education and economic empowerment. The foundation’s 47 PRIs are comprised of equity, debt guarantees and fund investments that total more than $1 billion (of a $1.5 billion commitment).

The supplement explores a number of examples where the foundation has used PRIs including: an equity investment in a biotech startup that enhanced their work on eradicating malaria and other public health concerns; a PRI for a solar energy start-up in Africa that provided a way to create a carbon-free, low-cost platform for financial transactions and low-cost lending; and a cautionary tale of misaligning incentives through a PRI to an educational-technology startup focused on expanded access to community colleges. Two articles of particular interest are by Julie Sunderland and Paul Brest.

Julie Sunderland, the foundation’s director of PRIs, explains the progressions of their PRI work since its founding in 2009. They began by developing PRI instruments that could incentivize private sector partners to work with them on difficult public problems. They then sought ways to make markets work better for the underserved. And, they are now focused on identifying and empowering innovators and entrepreneurs whose work aligns with the foundation’s. Based on this evolution, she suggests that:

- PRI work requires due diligence, good investment choices and strong accountability tools.
- There is a need to focus on aligning incentives between the objectives of the foundation and those of its private sector partners.
- Using grants alongside investments can help create more functional markets for PRI work.
- Find great people and give them the tools they need to succeed.

Paul Brest examines how the foundation has sought to assess the risks and charitable benefits of the potential PRI investees; and in what instance to use an investment, a grant or both to support their work. The foundation uses two separate teams, a program team comprised of subject matter experts that initiates the PRI and monitors its progress, and a PRI team with expertise in private equity and venture capital that structures the transaction and assesses its financial risk. In determining whether and what to fund through a PRI, the two foundation teams come together to assess each project against four fundamental questions: (1) does the project advance the goals of the program team; (2) does the capital structure of the business appear healthy enough to generate returns?; (3) does the foundation’s involvement create distortions in the market?; and (4) how can the recipient be encouraged to practice good governance?

Brest concludes with lessons the foundation’s experience provides for those using or pursuing PRIs:

- Achieving impact through PRIs is difficult: balancing programmatic and financial viability requires more due diligence, legal documentation and partner engagement than traditional grants.
- Program and investment teams must work together: the skill set required for program staff to be effective is different than that for the investment staff, making collaboration necessary, even if difficult.
- Financial subsidies should be expected since the loss of financial returns is counterbalanced by an advancement of charitable purpose. However, funders should be careful the subsidies they provide do not encourage entrepreneurial complacency or distort markets.

The full supplement can be accessed at the following link:
http://gatesinvestments.ssir.org/

From Innovation to Practice: Impact Investing Education and Training
Michael Chodos and Anne Johnson
Beeck Center for Social Impact and Innovation at Georgetown University
August 2016

This report examines the rapidly developing field of impact investing – investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Based on interviews with providers of impact investing-related training and education and analysis of related materials, the report assesses the current landscape, identifies critical gaps, and offers guidance for developing educational content and delivery methods that will grow the field.

Current Landscape

There is a high demand for accessible, practical impact investing training and education. Current offerings are largely composed of conferences and events, university-based graduate programs, and privately-offered custom programs primarily designed for large institutions and high net worth individuals. There is a real opportunity to enhance these existing offerings and make them more accessible.

Education and Training Gaps

There is a need for more education and training that develops technical skill sets such as impact evaluation and financial analysis, as well platforms for greater sharing of experiences and expertise about innovative mechanisms like crowdfunding, community development finance and pay-for-success strategies. There is also an opportunity for programs that focus on specific social sectors that are ripe for expansion and further development, like green technology and health.

Considerations for Growing the Field

- The field of impact investing is still developing and therefore related education and training must be responsive and adaptable to changes as they occur.
- Training should not only develop "hard" skills like data management and measurement and technical know-how, but should also build "soft" skills that emphasize collaboration and coalition building by creating opportunities for stakeholders in different sectors and disciplines to learn about each other and the role they play in the impact investing ecosystem.
- There is a need to balance the high demand for specialized skill-building and training with the need to create inclusive, accessible and multi-disciplinary platforms for learning.
- Educational offerings should prepare practitioners to think about the field of impact investing from a systems perspective; one that could be transformative in solving social problems.

Funders can help build the field by: investing in relevant research; subsidizing education and training for professionals; and building an information repository with cross-sector transaction data.

The full report can be accessed at the following link:
http://beeckcenter.georgetown.edu/wp-content/uploads/2016/08/From-Innovation-to-Practice-Impact-Investing-Education-and-Training_Beeck-Center_8.4.pdf

Mission Possible: How Foundations are Shaping the Future of Impact Investing (Series)
Stanford Social Innovation Review **in Partnership with Mission Investors Exchange**
Spring 2017
This series of short essays, produced in partnership with Mission Investors Exchange, asks different foundation leaders to describe how their foundation is approaching impact investing.
Four themes driving the growth of impact investing are reflected across the essays:

1. **Impact investors are looking at their overall portfolios and individual investments along a spectrum that takes into account varying levels of risk, return and impact.** Foundations are using more flexible approaches and expecting a wider range of returns than before. Some of the strategies being used include grants that "de-risk" transactions, program-related investments that provide catalytic capital, and mission related investments that seek competitive returns out of the endowment. They are also developing more diverse financial products such as loans and equity guarantees. *See essays by: Matt Bannick and Paula Goldman, Omidyar Network, Rip Rapson, The Kresge Foundation, Clara Miller, Heron Foundation and Carol Larson, the David and Lucile Packard Foundation.*

2. **Foundations are helping to leverage dollars and make markets by building "on-ramps" for new and unconventional partners in the private and governmental sectors.** Foundations are taking on more risk so that others can assume less to increase the likelihood of success and the capacity for impact. For example, some funders are helping to develop new investment platforms to bring in new investors by taking the lead in syndication efforts (like loans) and creating managed funds. Funders are also providing new kinds of credit and liquidity support to social enterprises, nonprofits and mission driven funds. *For one approach, see the essay by Julia Stasch, the MacArthur Foundation.*

3. **Foundations are deploying different assets, beyond their dollars, to help build the field.** Foundations are harnessing people, communities, policies and ideas that can increase the power of each dollar invested. For example, some funders are focusing on building the field's human capital by supporting interns, fellows, and MBA students interested in pursuing impact investing at both for-profit and nonprofit organizations. Others are investing in local residents to build their sense of agency and equipping them with knowledge and skills to build community capacity and economically empower communities. *See essay by: Jesse Fink, Fink Family Foundation, Kelly Ryan, Incourage Community Foundation, and Kate Woford, McKnight Foundation.*

4. **Foundations are developing the impact investing eco-system.** Foundations are inherently more open, transparent and collaborative than conventional investors and can share both their successes and failures, which allows the field to build on their experience. *See essays by: Patrick McCarthy, The Annie E. Casey Foundation, Jean Case, the Case Foundation, and Darren Walker, The Ford Foundation.*

The full series of essays are:

- "Now Is the Time for Foundations to Invest for Mission and Impact" by Matt Onek
- "Unleashing the Power of Endowments: The Next Great Challenge for Philanthropy" by Darren Walker
- "Strengthening the Impact Investing Movement" by Matt Bannick and Paula Goldman
- "Increasing Impact: People and Place at the Center" by Kelly Ryan
- "Arriving at 100 Percent for Mission. Now What?" by Clara Miller
- "Funding the Momentum of Impact Investing" by Jean Case
- "When Impact Investing is All About the People" by Jesse Fink
- "Leveraging All Assets for Social Good" by Patrick McCarthy
- "Taking Our Rightful Seat at the Institutional Investor Table" by Kate Wolford
- "Market Making for Mission" by Julia Stasch
- "Constancy and Thoughtful Realignment: The Next Era of Social Investing" by Rip Rapson
- "Amplifying Impact with Mission Investments" by Carol Larson
- "Philanthropic Pioneers: Foundations and the Rise of Impact Investing" by Matt Onek

The essays are available at the following link:
https://ssir.org/mission_possible_how_foundations_are_shaping_the_future_of_impact_investing

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

Scaling Solutions: A How to Guide for Unleashing the Potential of Public-Philanthropic Partnerships Based on Lessons Learned from the Sustainable Communities Initiative
U.S. Department of Housing and Urban Development
September 2016

***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 supposed 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

Scaling Solutions: A How to Guide for Unleashing the Potential of Public-Philanthropic Partnerships Based on Lessons Learned from the Sustainable Communities Initiative
U.S. Department of Housing and Urban Development
September 2016

HUD examines the critical role strategic cross-sector partnerships have played in their Sustainable Communities Initiatives (SCI), a federal, place-based program that has awarded $250 million to 143 regions and communities across the country. These efforts have been highly localized, emphasizing interdisciplinary partnerships for solving issues of sustainability, equity, and resiliency. The report suggests that SCI has helped to redefine and expand the ways that the federal government works with philanthropy and local agencies to create innovative, cross-cutting and effective programs.

To this end, philanthropy has played diverse roles in community development work; often beyond merely a funding role. Among the roles for philanthropy in community development work:

- ***Serving as a convener:*** philanthropy can use its network and presence in the local community to broker new partnerships and offer space for collaborations to form.
- ***Leveraging government investments***: philanthropy can help to match government funding to facilitate the completion of projects.
- ***Building community's capacity*****:** philanthropy can offer technical expertise and staffing to empower communities to participate in public planning processes.
- ***Being an advocate***: philanthropy can amplify the importance of issues and garner support to help communities accomplish important goals.
- ***Building networks:*** philanthropy can encourage cross-pollination of ideas by providing forums for knowledge sharing and curating community knowledge.
- ***Telling the story:*** using their credibility and expertise, philanthropy can help communicate and frame issues/projects to stakeholders.
- ***Identifying other fundable projects***: philanthropy can use its knowledge of the sector to connect grantees with funders and offer advice on pitching a competitive proposal.
- ***Aligning vision with community goals***: foundations can revisit their own grantmaking priorities to better align them with pressing community needs.
- ***Collaborating within philanthropic community:*** philanthropy can partner with other foundations of all sizes to scale impact.

Case studies from around the country highlight these roles in greater detail and demonstrate the importance of early engagement with philanthropic partners and building trust in the development of the initiatives. Moreover, the report suggests that public-philanthropic partnerships developed as part of SCI are informing HUD's subsequent work as well as how other federal agencies think about how they might work with philanthropy.

The full article can be accessed here:
http://portal.hud.gov/hudportal/documents/huddoc?id=ScalSoluPhilRep.pdf

Networks and Collaboration

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

Cracking the Network Code: Four Principles for Grantmakers
Jane Wei-Skillern, Nora Silver and Eric Heitz
Grantmakers for Effective Organizations
July 2013

"Essential Mindset Shifts for Collective Impact"
John Kania, Fay Hanleybrown, and Jennifer Splansky Juster
Stanford Social Innovation Review
Fall 2014

"The Dawn of System Leadership"
Peter Senge, Hal Hamilton, and John Kania
Stanford Social Innovation Review
Winter 2015

Building Collaboration: From the Inside Out
Lori Bartczak
Grantmakers for Effective Organizations
November 2015

Lessons in Funder Collaboration: What the Packard Foundation Has Learned about Working with Other Funders
Judy Huang and Willa Seldon
The Bridgespan Group
July 2014

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

Cracking the Network Code: Four Principles for Grantmakers
Jane Wei-Skillern, Nora Silver and Eric Heitz
Grantmakers for Effective Organizations
July 2013

Foundations are increasingly looking to network models to create and grow impact. This report examines how foundations can be effective network participants, emphasizing the shifts that are needed in how foundations think about and approach their work. It is organized around four principles that constitute "the network code," each of which is followed by recommendations for funders.

Principle 1. Mission, not organization suggests that the network's mission is to be prioritized above that of advancing an individual organization. Recommendations include the following:

- Give the network your unwavering commitment
- Ensure that boards and grantmaking staff embrace the network mindset
- Fund network-level costs including facilitation, information infrastructure, and the administration of the networks
- Build on existing network relationships
- Adapt evaluation approaches to network processes including metrics that look at how the network is developing and its impact

Principle 2. Trust, not control promotes the idea of using trusting relationships, rather than traditional models of formal control, to achieve the network's vision. Recommendations include the following:

- Vet partners, including how they've worked with others in the past
- Test relationships with pilot projects to help structure the interactions
- Expect networks to grow organically by identifying and cultivating existing grantees with a readiness to adopt a network mindset
- Demonstrate your trustworthiness by being flexible and transparent in your approach
- Let the network make decisions for itself, but offer support when needed

Principle 3. Humility, not brand encourages the act of learning and deferring to peers when appropriate. Recommendations include the following:

- Cultivate empathy, curiosity and commitment for network partners
- Direct recognition to the parts of the network that can best benefit
- Be open with your resources and experiences, as well as what you can and cannot do

Principle 4. Node, not hub reflects the idea that network members think of themselves as parts of an interconnected network rather than as its central point. Recommendations include the following:

- Understand the ecosystem of the network and how all of the pieces and players fit together
- Seek out and leverage other peer groups to get involved in a networked way
- Take time to listen and learn from participants to identify where the gaps are

The report is available at the following link:
http://www.geofunders.org/geo-publications/680-network-code

Harnessing Collaborative Technologies: Helping Funders Work Together
Gabriel Kasper, Kristi Kimball, Steven Lawrence, & Lisa Philp
Monitor Deloitte and Foundation Center/Grantcraft
November 2013

Though many grantmakers believe that collaboration increases efficiency and effectiveness such efforts are not as prevalent or strong as they could be. Greater collaboration is limited by factors such as a reluctance to relinquish control, the additional time required for working with others, the need to develop protocols for sharing information, and the costs of identifying new partners.

The report suggests that there are many new technologies (or tools) that can help to address the "collaborative needs" of working with others. These include the following:

- **Learning.** Activities include the work that funders do to operate in informed ways and to stay current on issues. Tools include IssueLab, which helps to gather, index and share reports and other data; and Gapminder, which helps to easily visualize complex data.
- **Finding.** Activities include sourcing, vetting, and making connections with key stakeholders to address problems. Tools include the i3 Foundation Registry, which was specifically designed to connect funders with organizations improving education; and Philanthropy In/Sight, which is a customizable tool to identify giving trends.
- **Designing Strategies**. Activities include developing and shaping the approach to solving problems as well as the potential metrics for assessing progress. Tools include The Strategy Landscape, which provides information on grantmaking strategies and individual grant data; and competIQ, which is a marketplace for collective information.
- **Community Building.** Activities include facilitating dialogue and communications, building personal connections, and developing governance systems and processes. Tools include the GEO Listserv, which provides a forum for peers to exchange information; and Facebook, Google+ and LinkedIn, which can help build community amongst a variety of geographically-dispersed networks.
- **Transacting.** Activities include scheduling, holding meetings, maintaining collaborative communications, conducting shared due diligence, making decisions, and managing financial transactions. Tools include Doodle, which provides an easy way for people to do scheduling; and Dropbox, which allows collaborators to easily share files.
- **Assessing.** Activities include developing common approaches to data collection and reporting and implementing collective evaluation. Tools include Survey Monkey, which is an easy way to create an online survey; and The Cultural Data Project, which provides a shared data system for tracking arts and cultural activities.
- **Influencing.** Activities include sharing and disseminating results and lessons learned, and communicating with boards, policymakers and other actors. Tools include Blogger and Twitter, which are self-publishing tools; and the Learning Registry, which provides an online platform to harvest and analyze data.

The report is available at the following link:
http://foundationcenter.org/gainknowledge/research/pdf/collab-tech.pdf

“Essential Mindset Shifts for Collective Impact”
John Kania, Fay Hanleybrown, and Jennifer Splansky Juster
Stanford Social Innovation Review
Fall 2014

This article argues that in addition to the five primary conditions of collective impact – a common agenda, shared measurement, mutually reinforcing activities, continuous communications and backbone support – it is critical to have shifts in mindset. Specifically:

- *Get the right eyes on the problem.* Collective impact cannot occur without involving the right partners and stakeholders. While contingent on the particular problem or issue, this often means having a diversity of actors from different sectors whose perspectives can lead to more meaningful, innovative and insightful dialogue and action.

- *The relational is as important as the rational.* Collective impact often hinges on relationships. Practitioners must invest time in building strong interpersonal relationships and trust in order to address complex – and sometimes controversial – issues.

- *Structure is as important as strategy*. Collective impact does not follow a linear path. As a result, the structures created through the collective impact efforts should allow partners to come together regularly to look at data and to learn from one another to adapt and find paths forward.

- *Sharing credit is as important as taking credit.* Collective impact requires partners to put aside their egos and to focus on the common good created through the work.

- *Pay attention to adaptive work, not just technical solutions*. Collective impact initiatives seek to solve complex social and environmental problems. As such, they should allow for adaptive problem solving using continuous feedback loops that are dynamic.

- *Look for silver buckshot instead of the silver bullet.* Collective impact is achieved through a combination of multiple interventions. Practitioners need to think about their work in the larger context and ecosystem in which they operate.

The article is available at the following link:
http://www.ssireview.org/articles/entry/essential_mindset_shifts_for_collective_impact?utm_source=Enews&utm_medium=Email&utm_campaign=SSIR_Now&utm_content=Title

"The Dawn of System Leadership"
Peter Senge, Hal Hamilton, and John Kania
Stanford Social Innovation Review
Winter 2015

In order to solve complex problems, organizations need leaders who can collaborate, build consensus, and foster "collective leadership." Core capacities for these leaders are: seeing the larger system in which the issue or set of issues is embedded and building a shared understanding across collaborating organizations that might not otherwise be apparent; fostering generative conversations that allow for deep, shared reflection that builds trust and fosters creativity with collaborating organizations; and, shifting the collective focus from more reactive, problem solving to co-creating a future that improves the system.

There are three primary gateways through which budding systems leaders tend to develop. First, they recognize they are a part of the system they are trying to change, which shifts the nature of their awareness and the thinking behind their actions. Second, they re-orient their strategies to provide space for change to occur and enable collective intelligence to emerge; they don't force their own agenda but allow others to lead. Third, they learn by doing the work and experimenting with what works and what doesn't. They use tools like systems maps to see the problem or issue in the context of the larger systems; peer shadowing and learning journeys to foster reflection and generative conversations; and appreciative inquiry to co-create strategies and approaches for doing the work.

The authors offer five suggestions for moving along the path to becoming a system leader:

- Learn on the job, employing models of change that weave together outcome, process, and human development.
- Engage people across boundaries, reaching out to incorporate others and their differing points of view.
- Let go and set aside strategy when unexpected paths and opportunities emerge.
- Build a toolkit that helps you and others learn and build a shared understanding of what matters.
- Seek out and work with other system leaders to foster your own personal and professional development.

The authors are optimistic about the future of system leadership due to the growing interconnectedness of societal challenges and the emergence of systems approaches as a field of strategy and thought, as well as the growing number of tools to understand and learn systems approaches and the hunger for processes that result in real change.

The article is available at the following link:
http://www.ssireview.org/articles/entry/the_dawn_of_system_leadership

Building Collaboration: From the Inside Out
Lori Bartczak
Grantmakers for Effective Organizations
November 2015

This report examines how foundations can adopt a "collaborative mindset" and align values and practices to be better collaborative partners. It is based on interviews with grantmakers, nonprofits and technical assistance providers.

Necessary conditions for collaboration include:

- **Get clarity on both organizational goals and how they are linked to the collaboration.** Create opportunities for staff and board to reflect and develop organizational goals and determine whether and how they are linked or fit into a potential collaboration, making clear where and what is the added value to the organization participating.
- **Determine how the organization fits into the landscape and what role or roles it is willing and able to play.** Create opportunities for staff and board to discuss the different roles that the organization might play and under what conditions and what other partners and potential partners bring to the collaboration.
- **Lay the groundwork for collaboration by building relationships.** Prioritize relationship building to help strengthen trust by seeking opportunities to engage with partners in one-on-one conversations, eliciting feedback from partners and examining the application, reporting requirements and other processes for grantees and other stakeholders to ensure they are signaling trust; and taking stock of cultural fluency and addressing issues of power dynamics.

Changes that may be necessary to ensure an organization is ready for collaboration include:

- **Build diverse and committed leadership across the organization.** Consider how the organization's board and executive leadership can model relationship building and engage more with other funders, grantees and the communities served.
- **Focus on internal and external communications that contribute to strong relationships.** Build regular and frequent updates and check-ins with stakeholders and partners erring on the side of over-communicating.
- **Provide the resources – both time and money – that are necessary for the given collaboration.** Examine workloads and the degree of flexibility that staff members have to engage in the collaboration as well as what skills, behaviors and capacities are needed to advance collaboration.
- **Ensure collaboration remains a priority for the organization.** Review job descriptions and consider what revisions might be necessary to ensure that collaboration is a priority by building collaboration into staff performance goal and creating opportunities to build professional skills such as facilitation and relationship building.

The full report is available at the following link:
file://ppd3.sppd.usc.edu/users$/npwillia/Desktop/geo_2015_collaboration_inside_out.pdf

Lessons in Funder Collaboration: What the Packard Foundation Has Learned about Working with Other Funders
Judy Huang and Willa Seldon
The Bridgespan Group, July 2014

This report looks at themes and insights from an examination of various funder collaborations undertaken by The David and Lucile Packard Foundation. It is based largely on interviews with program directors and other staff at the foundation as well as their funding partners.

Philanthropic collaborations vary in how they are structured and their level of integration. Less integrated collaborations in which individual funders have more control include projects or initiatives where funders exchange ideas or raise awareness, and those in which funders agree upon shared strategies and coordinate investments around aligned causes while still controlling their own grantmaking. More integrated collaborations – referred to as “high-stakes donor collaborations” – include co-investments in existing initiatives where money is raised around a specific initiative or organization; co-creation with other funders of a new entity or initiative that in turn gives grants or operates programs; and a model in which funders themselves invest in another funder with strong expertise in a content area.

The report points to some commonalities across all different types of funder collaborations:

- There is a time to lead, a time to follow and a time to say no.
- They require an assessment of whether the potential benefits outweigh the time and resource necessary to develop and sustain them.
- Most require that the CEO be engaged in the collaboration at some point along the way.

Strategic considerations when developing a funder collaborative include:

- Getting alignment on a common vision and shared goals.
- Being clear about how the collaboration fits with each foundation’s strategy.
- Creating a governance structure that fits each foundation’s interests and expertise.
- Developing partnerships that are adaptable and flexible.
- Considering exit planning up front.
- Using evaluation results to adapt and improve.

Practical considerations when developing a funder collaborative include:

- Balancing ambition with realism.
- Knowing your partners.
- Answering four key questions:
    - What is our goal?
    - Do we need to collaborate to succeed?
    - What are we willing to invest in time and money?
    - How do we achieve results?

The report concludes by suggesting that collaboration can be a powerful means to amplify resources and impact, but good intentions aren’t sufficient to ensure a collaboration’s success.

The full report is available at the following link:
http://www.bridgespan.org/getmedia/c34a9b65-85f4-4858-b035-3304782d0577/Lessons-in-Funder-Collaboration.aspx

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

The Communications Network: Research Report
Sheila Matano, Taj Carson, Sean Gibbons, and Tristan Mohabir
The Communications Network
Spring 2017

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

The Communications Network: Research Report
Sheila Matano, Taj Carson, Sean Gibbons, and Tristan Mohabir
The Communications Network
Spring 2017

This report, based on survey responses from 293 members of The Communications Network, looks at the gaps between how nonprofits and other practitioners currently do their communications work and the skills, qualities and competencies necessary to do communications work well. Among respondents: 70% worked in communications for more than a decade; 38% were the organization's VP, CEO or executive director and 40% were a communications director; 40% worked in a foundation, 30% in a nonprofit and 22% as a consultant.

Key Findings:

- There is a gap in understanding between the importance of communications and the effectiveness of their own strategies. While 86% feel that strategic communications have become more important in recent years, only 59% believe they have an effective communications strategy in place.
- Strategic thinking is viewed by 65% of respondents as a highly valued skill but it is a challenging quality to find with 63% reporting it is difficult or very difficult.

The report offers some steps to improve communications work:

1. **Develop a strategic communications plan.** The plan should clearly articulate measurable goals and the actions needed to reach them, including different audiences, messages and communications vehicles.

2. **Get buy-in from leadership.** Leadership need to be on board with the communications plan to help integrate and align priorities with the organization's overarching strategic direction and culture.

3. **Free your team from organizational silos.** Effective organizational communications requires a collaborative spirit. A silo mentality can contribute to distrust and cause inefficiency.

4. **Take time to reflect as a team.** Regularly look at your communications strategies with your colleagues to discuss how well they are working and how they can improve.

5. **Use data and research to make decisions.** Data should be used to track progress, understand audiences and craft messages and stories that resonate with your target audience.

6. **Make thoughtful hiring decisions and invest in staff.** Look for core communication skills in entry-level employees and strategic and creative thinking skills at the senior level.

7. **Don't ignore the importance of emotional intelligence in the workplace.** Both communications leaders and employees should be self-aware, empathetic, be able to regulate their emotions, have good social skills, adjust to change and be flexible.

The survey can be found at the following link:
http://www.comnetwork.org/wp-content/uploads/2017/05/Core-Communications-Competencies.pdf

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

Hearing from Those We Seek to Help: Nonprofit Practices and Perspectives in Beneficiary Feedback
Ellie Buteau, Ramya Gopal, and Phil Buchanan
The Center for Effective Philanthropy
October 2014

Evaluating Complexity: Propositions for Improving Practice
Hallie Preskill, Srik Gopal, Katelyn Mack, Joelle Cook
FSG, March 2015

Assessing to Achieve High Performance: What Nonprofits are Doing and How Foundations Can Help
Ellie Buteau, Ramya Gopal, and Jennifer Glickman
The Center for Effective Philanthropy
April 2015

Learning Together: Actionable Approaches for Grantmakers
Grantmakers for Effective Organizations
June 2015

Reimagining Measurement: A Better Future for Monitoring, Evaluation and Learning
Monitor Institute
March 2018

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

Hearing from Those We Seek to Help: Nonprofit Practices and Perspectives in Beneficiary Feedback
Ellie Buteau, Ramya Gopal, and Phil Buchanan
The Center for Effective Philanthropy
October 2014

This report looks at what nonprofits are doing to get feedback from those they serve (their beneficiaries), how such feedback is being used to improve nonprofit performance, and how nonprofits view foundations' understanding of the needs of the beneficiaries of nonprofits. It is based on the responses of 235 nonprofit leaders to a survey; the response rate was 46 percent. The median operating budget of responding nonprofits is $1.7 million.

The report highlights three primary findings:

1. Nearly all the nonprofits surveyed (99 percent) are collecting and using feedback from their beneficiaries to improve their programs and services in some way, despite staffing and financial constraints. Collection efforts vary, but most nonprofits do so through stories (92 percent) and surveys (87 percent). More than half use interviews (54 percent), while fewer use focus groups (39 percent) and third-party evaluations (30 percent). Half of the nonprofits (54 percent) don't receive any assistance from foundations in these efforts.

2. Most nonprofit leaders surveyed (84 percent) believe they have a deep understanding of their beneficiaries' needs, while only a third (31 percent) think foundations do.

3. A third of nonprofit leaders surveyed (33 percent) say that those foundations that best understand the needs of their organizations' beneficiaries are actively engaged with their organizations and are more humble, collaborative and open in their grantmaking approach compared to those foundations that do not understand the nonprofit's beneficiaries.

The report concludes that nonprofits think foundations could be doing more to support nonprofits collect and analyze their beneficiary data. Nonprofits also believe foundations could themselves benefit from deeper engagement and understanding of beneficiary feedback in terms of how foundations determine funding priorities and strategies as well as how they interact with nonprofits.

The report is available at the following link:
http://www.effectivephilanthropy.org/wp-content/uploads/2014/10/CEP-Hearing-from-Those-We-Seek-to-Help.pdf

Evaluating Complexity: Propositions for Improving Practice
Hallie Preskill, Srik Gopal, Katelyn Mack, Joelle Cook
FSG
March 2015

This report addresses the gaps between the understanding and practice of complex evaluations. It describes the characteristics of complex systems and then offers propositions as to how evaluations can and should be developed and designed to accommodate them.

- *A complex system is always changing and evolving and they are often unpredictable.* As a result, evaluations should be designed and implemented through an adaptive, flexible and iterative process.

- *Systems are made up of interacting, interrelated, and interdependent components.* Thus, evaluations should attend to how the system's components interact with and influence one another and how they contribute to the initiative's overall impact.

- *Information is the fuel that drives learning in systems.* Thus, evaluations should support the learning capacity of the system by strengthening feedback loops and improving access to information in timely and actionable ways.

- *Systems adapt in response to changing conditions so understanding context is critical.* Evaluations should therefore study context, including the demographic, social, economic, organizational and political dynamics and monitor changes that affect the system as they occur.

- *Each situation is unique with initiatives in complex settings occurring according to a set of principles rather than a predetermined set of activities.* Evaluations should consider what "minimum specifications" are desired to guide behavior in a way that allows for adaptation.

- *Different sources of energy and convergence can be observed at different times.* Identify points of energy and influence, as well as ways in which momentum and power flow within the system.

- *Relationships between entities are equally, if not more, important than the entities themselves.* Focus on the nature of relationships and interdependencies within the system.

- *Cause and effect are not a linear process.* Explain the non-linear and multi-directional relationships between the initiative and its intended and unintended outcomes.

- *Patterns emerge from several semi-independent and diverse agents.* Watch for patterns, both one-off and repeating, at different levels of the system.

The report also includes applicable tools that can be used to gather data for each of the propositions, along with examples and cases for the propositions in practice.

The report can be found at the following link:
http://www.fsg.org/Portals/0/Uploads/Documents/PDF/Evaluating_Complexity.pdf

Assessing to Achieve High Performance: What Nonprofits are Doing and How Foundations Can Help
Ellie Buteau, Ramya Gopal, and Jennifer Glickman
The Center for Effective Philanthropy
April 2015

Building on CEP's 2012 survey on foundation support for nonprofit performance assessment, this report seeks to better understand the current state of practice. It is based on a survey sent to 514 nonprofit organizations of which 183 responded. The median annual expenses of the respondents was $1.4 million.

Key Findings from Nonprofits

- While almost all nonprofits (99 percent) report collecting information to assess their performance, they want to collect additional – or better -- information. The types of information nonprofits find most useful are indicators of outcomes (56 percent), the organization's reach (43 percent); and finances (29 percent).
- Nonprofits would like to have more staff resources, greater expertise and the ability to hire third party assessors to better evaluate or manage their organizational performance. More than half (55 percent) of the nonprofits allocate two percent or less of their budget to assessing performance, and few (9 percent) employ staff who are dedicated to this work full time. Those that spend more than two percent of their budget on assessments tend to use the results more to improve their overall performance and inform their strategic direction.
- The nonprofits use performance information to improve their programs and services (83 percent), inform their strategic direction (68 percent), and communicate about their progress (61 percent). However, fewer nonprofits use performance information to share what they are learning with other organizations (41%) or manage staff (40%).
- A third of the nonprofits (36 percent) report receiving support from foundation funders for their performance assessment efforts through financial or non-monetary assistance; and a third of nonprofits (37 percent) say they have little or no discussion with funders about performance assessment.

These findings suggest that nonprofits are trying to understand their performance and use the information they collect to improve and that funders can do more to help nonprofits such as:

- Engage in more and deeper discussion with grantees about their performance assessment and management efforts to better understand how grantees are investing resources, what data they collect, how they use that data and what else they'd like to be able to do.
- Fund nonprofits' efforts to measure their performance.
- Help nonprofits share with other organizations what they have learned through their performance assessments – about what does and does not work.

In addition to survey findings and recommendations, the report provides a number of profiles of both funders and nonprofits and how they are working with each other to use assessments to improve performance.

The full report is available at the following link:
http://www.effectivephilanthropy.org/wp-content/uploads/2015/04/Assessing-to-Achieve-High-Performance.pdf

Learning Together: Actionable Approaches for Grantmakers
Grantmakers for Effective Organizations
June 2015

This publication provides ideas and practices to help foundations make learning with other partners – such as grantees, other foundations, community members and government agencies – a priority. It is based on research and interviews with two dozen staff members from foundations and other related organizations that are engaged in work GEO describes as "learning together" or "collective learning," which occurs when "organizations or groups use evaluation and evaluative thinking to learn in real time and adapt their strategies to changing circumstances."

It is critical that any collective learning efforts have a clear set of intentions or goals and a rationale for why it is important. Among the most common objectives cited:

- Analyzing and building a better collective understanding of a specific issue and in the process helping to shape a better solution.
- Developing a new plan or initiative – such as a grant, program or shared activity – that reflects a genuine understanding of what is happening on the ground and enlists stakeholders that will be critical to its lasting success.
- Assessing current activities to identify course corrections by gathering ongoing feedback and guidance from people and organizations that are affected by a program or initiative.
- Understanding outcomes from completed projects to inform strategy moving forward, including the degree to which the initiative or activity lived up to its goals and what can be learned.

The core values and principles that should be kept in mind to ensure the success of shared learning include the following:

- Decide together the guiding questions and how the overarching process will unfold.
- Be open and flexible so that "give-and-take" and adaptation can occur to enhance learning.
- Create an authentic partnership that actively engages all the stakeholders to design learning activities, identify goals and make meaning of data and information.
- Be inclusive and create wider circles of individuals and organizations beyond the "usual suspects" asking the question "who else should be at the table?"

The key steps to making shared learning successful include the following:

- Prioritize shared learning so that it is not an "add-on" but an essential component of the foundation's work.
- Allocate the necessary resources to convene partners, support high-quality research and evaluation, communicate findings, and set aside internal staff.
- Build trust to create open dialogues and candor among partners to explore difficult issues.
- Build capacity and skills by ensuring that grantees and partners have the tools, resources, systems and human capital to formulate and answer shared learning questions.

The full report is available at the following link:
http://docs.geofunders.org/?filename=2015_learning_together.pdf&utm_source=20150618-GEONews-Members&utm_medium=email&contactid=0036000000sK6ZYAA0

Reimagining Measurement: A Better Future for Monitoring, Evaluation and Learning
Monitor Institute
March 2018

This report lays out a vision for what evaluation and learning for greater impact can look like based on interviews and other engagements with 125 foundation executives and program staff, evaluation experts, and nonprofit leaders.

More effectively putting decision-making at the center of monitoring, evaluation and learning.

Best Practices

- Information for on-the-ground decision-making is prioritized by creating new ways to share results and differentiating the roles of funders and nonprofits in developing evidence.
- Learning is embedded and continuous so that organizations better understand what barriers can impede organizational learning and can quickly adapt as circumstances change.
- Greater investment in monitoring, evaluation and learning capacity including training board members to set more realistic evaluation expectations.
- The data and methods needed to inform decisions are available, integrated with one another and embedded in emerging technological tools.

Empowering beneficiaries and promoting diversity, equity and inclusion.

Best Practices

- Equity is consistently considered in and supported by monitoring, evaluation and learning including resources and standards for cultural competence and equity-focused evaluation.
- Constituent feedback is an essential practice including tools that help organizations collect and measure constituent insights to better hold organizations accountable.
- Constituents are empowered to make their own choices including developing a better infrastructure for decision making and connecting constituents with each other.
- Data rights are secured including data standards that ensure the integrity of their appropriate use.

More productive learning at scale.

Best Practices

- Knowledge is shared openly and widely by addressing disincentives for sharing knowledge among nonprofits and expanding the scope of "what works" directories.
- Knowledge gaps and learning agendas are collaboratively undertaken including a diagnostic for groups to learn together and promote issue-level, action oriented learning.
- Data is integrated at the scale needed to assess social impact to enable better sharing through common data hubs.
- Evaluation synthesis, replication, and meta-evaluation are supported to test different large-scale approaches and synthesize empirical literature.

The full report is available at the following link:
https://www2.deloitte.com/us/en/pages/monitor-institute/articles/re-imagining-measurement-strategic-learning-toolkit.html

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

Capacity Building 3.0: How to Strengthen the Social Ecosystem
Jared Raynor, Chris Cardona, Thomas Knowlton, Richard Mittenthal, and Julie Simpson
TCC Group, November 2014

Leveraging Social Sector Leadership
Laura Callanan, Nora Silver and Paul Jansen
GEO and Haas School of Business University of California Berkeley
April 2015

Supporting Grantee Capacity: Strengthening Effectiveness Together
Anna Pond
GrantCraft, February 2015

Foundations Need Capacity, Too: Initial Findings from the Foundation Core Capacity Assessment Tool
Melinda Fine, Jared Raynor, Deepti Sood
TCC Group, January 2017

Benchmarking: Program Officer Roles and Responsibilities
Ellie Buteau, Jennifer Glickman, Matthew Leiwant, Temitayo Ilegbusi
The Center for Effective Philanthropy
July 2017

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

Capacity Building 3.0: How to Strengthen the Social Ecosystem
Jared Raynor, Chris Cardona, Thomas Knowlton, Richard Mittenthal, and Julie Simpson
TCC Group
November 2014

The next evolution of capacity building (3.0) includes developing individual knowledge and skills and organizational functionality to meet internal capacity needs *as well* as contributing to the capacity needs of the larger social ecosystem, comprised of nonprofits, funders, businesses, governments, management support organizations and their various interrelated networks. This wider framework translates into three capacities that are important to strengthen and develop:

1. The capacity to understand the social ecosystem in which organizations are embedded, including shifting perspective and skills around data collection and evaluation, analyzing power structures, and ensuring sensitivity to broader issues and organizational lifecycles.

2. The capacity to respond to an ever-evolving ecosystem, including developing change-management skills, engaging the ecosystem through advocacy, and creating shared value across stakeholder groups.

3. The capacity to structure the organization itself in response to the wider ecosystem, including formal and informal coalition and network designs and other forms of collective governance and shared leadership approaches.

Capacity building 3.0 goes beyond providing resources, training and consulting support and professional technical assistance that have been hallmarks of past capacity building approaches. It includes sophisticated and tailored methods of helping organizations and ecosystems "actualize their performance." Some of the methods for this new form of capacity building include:

- Creating effective consumers of capacity building that help actors integrate various capacity building activities across sectors and fields and networks.
- Creating targeted approaches to the work that are contextual and tailored to individual capacity needs as well as where the organization has come from, where it is going and how it fits into the larger system.
- Engaging diversity, equity and inclusion across the ecosystem in a more deliberate and dedicated way so that it can be leveraged for better outcomes.
- Understanding the effects of status quo structures, cultures and practices on organizational behavior and how to use change management support to soften these elements.
- Assessing capacity building progress to determine what is not working through ongoing and continuous feedback and assessment.

The full report can be found at the following link:
http://www.tccgrp.com/pdfs/11-18-14_TCC_Capacity_3.pdf

Leveraging Social Sector Leadership
Laura Callanan, Nora Silver and Paul Jansen
GEO and Haas School of Business University of California Berkeley
April 2015

While strong leadership in the social sector is critical to achieve impact, the sector "chronically underinvests" in this area. This report looks at new research findings – largely survey and interview data – about what leaders need to succeed and stay in the social sector; and what grantmakers can do to support social sector leaders – senior leaders at nonprofits, foundations, social enterprises and impact investing funds. The report says that leadership development in the social sector lags behind others and creates a "vicious cycle" that makes it more likely to lose good employees and harder to attract good ones. Whereas the private sector invests $120 per employee a year, the social sector invests $29.

The report provides a framework of leadership skills for today's social sector leaders, which emphasize collaboration and working with others.

- *Problem solver*. Unrelentingly puts the problem and needs at the center; agnostic to the solution and which organization or individual receives credit.
- *Generous collaborator*. Recognizes problems must be solved at a systems level by nurturing the growth and effectiveness of external partner organizations and their own.
- *Motivated mentor.* Commits to the professional development and success of all colleagues; intentionally seeks to build skills for others, while recognizing their commitments and contributions.
- *Responsible steward.* Prudent fiduciary with funds in the public trust; makes management decisions in strategic ways; and seeks out best practices.
- *Applied researcher.* Anchors strategy and approach in data and evidence; brings a learning mindset and hears the constituents' voice; and committed to accountability.
- *Savvy networker.* Taps colleagues to build alliance and networks; uses skills to influence others and reach out for what may not otherwise be possible.

The report also provides lessons and recommendations for grantmakers. Among them:

- Develop talent and the talent pipeline by listening to others, building relationships and seeking out opportunities for leadership investment.
- Focus on collaboration by supporting collaboration capabilities; modeling collaboration in program design and support; building cohorts; supporting coaching; and connecting across generations.
- Be attentive to "white space and blue sky" by creating opportunities for leaders to explore and develop skills and experiences via sabbaticals, mini-residences and board service.

The full report is available at the following link:
http://docs.geofunders.org/?filename=leveraging_leadership_2015.pdf&utm_source=20150423-GEONews&utm_medium=email&contactid=0036000000sK6ZYAA0

Supporting Grantee Capacity: Strengthening Effectiveness Together
Anna Pond
GrantCraft
February 2015

This guide looks at ways funders and grantees can work better together to position capacity building efforts. It is based on a survey of 260 foundation and nonprofit leaders about their experiences and needs, as well as four focus groups of 30 grantmakers and 15 nonprofit technical assistance providers, as well as interviews with 23 foundation staff and consultants who have experience with grantee capacity building work.

There are a number of ways that foundations can support capacity-building from targeted grants for individual or cohorts of nonprofits, to less restricted general operating support to working with capacity-building providers and intermediaries as a way to build the broader field. Different approaches are delineated in the report through brief examples of how different foundations have used them along with links to longer case studies and action steps for foundation staff to explore the different approaches within their grantmaking.

Before investing in capacity building work, funders should take stock of their own capacity. They should ask and answer questions such as: What is the foundation's history of building grantee effectiveness? How can the foundation sharpen its capacity building focus? How can the foundation build its knowledge on capacity building? And, what specific role should the foundation play in its capacity building effort?

Applying different "lenses" can help to inform and focus how a foundation might approach its capacity building efforts. For instance, funders should look at ways to build trust and create an open and honest dialogue with grantees so each feels they can share what is or isn't working; they should assess whether grantees are really bought into the capacity building approach and are ready to undertake the effort; and they should understand how different approaches might need to shift or be adapted to different contextual circumstances and within different institutional cultures. All the while, funders must be keenly aware that there is, and always will be, a power dynamic that exists in every funder-grantee relationship.

Once a foundation has taken the leap and decided to invest in capacity building work, there is the difficult work of assessing its impact. Some suggestions offered in the report include:

- Before making capacity building grants manage expectations on what can be accomplished and consider the benefits and risks of using a formalized grant application and reporting process.
- Throughout the foundation's interaction with a grantee, engage them in the design and implementation of the work, get creative but be realistic in your own capacity and that of the grantee.
- When reporting on the work, get better at telling stories of success and communicating findings to grantees and others.

The full report is available at the following link:
http://www.grantcraft.org/assets/content/resources/guide_capacity_interactive.pdf

Foundations Need Capacity, Too: Initial Findings from the Foundation Core Capacity Assessment Tool
Melinda Fine, Jared Raynor, Deepti Sood
TCC Group
January 2017

The TCC Group aggregated the results of 54 foundations (out of 75 invited) that completed the Foundation Core Capacity Assessment Tool (FCCAT) – which gauges how foundation staff members perceive their foundation's capacity based on behaviors and attitudes. This analysis offers some insights as to how foundations understand their capacity, which they view as generally positive.

Here is a brief recap of how the respondents assess their foundation's capacity among the five dimensions that the tool considers:

1) Leadership Capacity: the ability of organizational leaders to create and sustain the foundation's vision and provide appropriate direction to achieve its mission.
- Foundations see themselves as most adept in terms of external leadership, foundation vision and internal decision-making.
- Foundations are committed to diversity and see themselves as skilled in terms of cultural competency, but don't feel they are doing enough to actively recruit diverse foundation staff.

2) Adaptive Capacity: the ability of a foundation to monitor, assess, and respond to changes in the internal and external environment.
- Foundations believe they have high capacity to gather information and utilize their networks to understand the environment in which they are working.
- Foundations do not see themselves as having strong evaluation capacity, lacking clear criteria for determining the effectiveness of their work overall, and a framework for evaluating their grant portfolios.

3) Management Capacity: the ability of a foundation to ensure the effective and efficient use of its diverse organizational resources.
- Foundations see themselves as having considerable managerial capacity, which reflects the resources available to them to fulfill core functions like financial and grants management as well as staff development.
- Foundations don't think they take appropriate risks to meet organizational objectives.

4) Technical Capacity: the ability of a foundation to implement its key organizational and programmatic functions through available technologies (e.g., equipment, systems, software), tools, and staff skills.
- Foundations rate themselves highly in terms of financial management, grantmaking skills and cultural competency.
- Foundations feel less adept in terms of evaluation and technology skills.

5) Organizational Culture: the values, assumptions, and behavioral norms that guide how a foundation carries out its work.
- Foundations see themselves as demonstrating both accountability and "living their values."
- Foundations don't perceive themselves as demonstrating transparency.

The full report is available at the following link:
http://online.fliphtml5.com/jscf/pjcf/

Benchmarking: Program Officer Roles and Responsibilities
Ellie Buteau, Jennifer Glickman, Matthew Leiwant, Temitayo Ilegbusi
The Center for Effective Philanthropy
July 2017

Previous CEP reports emphasize the importance of the funder-grantee relationship and the critical role that program officers play in shaping grantees' experiences. This report examines responses from 150 randomly-selected program officers (from among 311 foundations surveyed) regarding how foundation officers work with and understand grantees, how satisfied foundation officers are on the job, and their time allocation and involvement with various roles and responsibilities. Among respondents: 79% had some experience working in a nonprofit, 37% in government, 36% in business, and 28% in another foundation. Half had been in their current position for less than three years and were largely white (63%) and female (74%).

Grantee Relationships and Understanding

- Nearly all (95%) agree that having strong relationships with grantees is important.
- Over 85% believe grantees feel comfortable approaching them if a problem arises.
- 75% say they understand the fields in which their grantees work and 72% say they understand the needs of the beneficiaries and communities that their grantees serve.
- 60% would like to have more time learning about and/or developing relationships with grantees.
- 73% think nonprofits maximize their impact with the resources available; 54% that they are well-run; 39% that they have the knowledge necessary to assess the results of their work; and 9% that they have the resources necessary to assess their work.

Program Officer Job Satisfaction

- 82% say their job makes good use of their skills and 73% say they are very or somewhat satisfied with their current job. However, only 16% say they have a clear path for career advancement.
- More than 90% say that their foundation has a positive impact on the issues or communities in which they work; that their career is meaningful; that their job contributes to their personal growth; and that they believe in the foundation's mission.
- Almost half (48%) say they plan to stay in philanthropy for the remainder of their careers; 38% don't know; and 14% plan to do something else.

Job Responsibilities and Involvement

- Half of all respondents spend more than 45 hours at work a week and more than half are responsible for 40 or more foundation grants.
- Nearly half of program officers (47 percent) say they themselves lack the knowledge necessary to help grantees assess their results. Yet only 16 percent said they wanted more professional-development training in evaluation.
- 75% say internal administration takes up more time than it should.
- More than half say that developing and maintaining relationships should take up most of their time, but only 36% say that it does.

The full report is available at the following link:
http://research.cep.org/benchmarking-program-officer-roles-and-responsibilities

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

Evaluating the Charitable Deduction and Proposed Reforms
Roger Colinvaux, Brian Galle and Eugene Steuerle
Urban Institute and Tax Policy Center, June 2012

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/

Evaluating the Charitable Deduction and Proposed Reforms
Roger Colinvaux, Brian Galle and Eugene Steuerle
Urban Institute and Tax Policy Center, June 2012

This report examines recent proposals concerning the charitable deduction in the context of tax reform. It highlights the rationale that has been offered in support of existing law as well as critiques of the charitable deduction. It then looks at various approaches to reforming charitable deductions and how those reforms might affect the amount donors give to charity, the amount that governments raise in tax revenue and the amount that it costs to enforce and administer the law.

Rationales and Critiques of the Charitable Deduction

- **Subsidy theories** suggest the deduction achieves social good for beneficiaries, largely as a result of market failure s (e.g., inadequate supply of public goods). Private, charitable organizations can target assistance and help to improve the efficient provision of public goods. Critics say the deduction is not cost-effective in that it does not change behavior enough to subsidize its costs.
- **Ability to pay theories** suggest the deduction is necessary to equally and fairly measure the bases for taxation since contributions to charity reduce the funds available for personal consumption or payment to the government as tax. Critics say that the tax code is inconsistent in its treatment of transfers and equality in terms of ability to pay. Critics also say that such arguments don't take into account externalities like the "warm glow" received by donors. Finally, critics argue that it is a regressive tax since it subsidizes higher income donors.
- **Sovereignty explanation** suggests that the deduction is needed as an extension for religious organizations to do their work.

Approaches to Reforming the Charitable Deduction

Most reform proposals are driven by the government's goal to raise additional revenue. Some others are driven more by critiques of current law (e.g., issues of equity and cost effectiveness). This paper analyzes limits to the size of the deduction through caps or floors as well as well as approaches that provide a subsidy that is not tied to the taxpayers marginal tax rate. For example:

- **Caps** limit the size of the tax benefit for individual donors (e.g., American Jobs Act, 2011). Caps are among the less cost effective proposals because they have the largest negative effects relative to the amount of revenues raised. However, they are more progressive than other categories of proposals since they place limits on the amount that can be deducted.
- **Floors** permit deductions only for total annual giving above a certain amount (e.g., CBO Reducing the Deficit: Spending and Revenue Options, 2011). Floors are among the more cost-effective proposals because they don't affect the marginal costs of giving as much.
- **Credits** delink the value of the tax benefit from marginal tax rates and reduce taxes by a set percentage of total donations (e.g., Bowles-Simpson Commission, 2010). Credits adhere most closely to the notion that equal charitable incentives should be applied regardless of income (i.e., the marginal tax bracket).

- **Grants** delink the government subsidy to the donor by making payments directly to done organizations in the amount contributed (e.g., Rivlin-Domenici, 2010). Grants would represent the largest departure from current law and it is unclear they would be as effective at encouraging donations as other reform approaches.

Well-designed reforms can maintain or even increase giving while reducing the budgetary impact. In the end, changes to current law should be considered in the context of their overall fairness, effectiveness, efficiency and simplicity.

The full report can be found at:
http://nonprofitfinancefund.org/files/docs/2013/2013survey-results.pdf

<u>Foundation Standards and Guidelines/Panel on the Nonprofit Sector</u>

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

Understanding and Benchmarking Foundation Payout
Loren Renz
Foundation Center, October 2012

"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

Understanding and Benchmarking Foundation Payout
Loren Renz
Foundation Center
October 2012

This report defines and seeks to demystify concepts pertaining to foundation payout, while addresses common misperceptions largely as they relate to public calls for higher payout levels among foundations. It does so by asking and answering common questions designed to raise understanding about payout, including how the payout rate is calculated?; which foundations must meet the five percent payout requirement and why they differ?; what is the legal timeframe for meeting the payout requirement?; and what are the consequence of failing to meet the requirements?

The report then examines the actual payout practices between 2007 and 2009 for a sample of nearly 1,200 of the nation's largest foundations, a period of sharp changes in the value of foundation endowments.

Among the key findings from the report are the following:

- Most large endowed independent foundations paid out at or above the 5 percent required payout level during the period 2007 to 2009.
- Nearly one-in-five endowed foundations had payout rates at or above 10 percent.
- Few operating characteristics beyond endowment size were associated with consistently higher or lower payout rate practices, and the variation was modest.

The full report can be found at:
http://foundationcenter.org/gainknowledge/research/pdf/payout2012.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

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"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 than 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 identifies 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

The Source Codes of Foundation Culture
Tom David and Kathleen Enright
Grantmakers for Effective Organizations
October 2015

This publication aims to prompt discussion in philanthropy about creating and nurturing a positive and productive organizational culture. While good stewardship of philanthropic resources has tended to focus on persevering and growing foundation assets for future generations, there is growing recognition that stewardship should also focus on how effectively a foundation is able to tackle an issue (or set of issues) that are central to its mission. Culture is central to overall performance.

Culture is viewed as a "set of basic assumptions that defines: what to pay attention to, what things mean, how to react emotionally to what is going on, and what actions to take in various kinds of situations" (Ed H. Schein, *Organizational Culture and Leadership*, 2010). There are many tacit dimensions to culture that make it both powerful and difficult to see and understand. A positive culture can reinforce and align values and efforts, creating a shared sense of cohesion and purpose, just as a negative culture can constrain and control behavior that detracts from mission.

The publication suggests that there are three underlying "source codes" – derived from other fields or institutions – that shape foundation culture:

1) Banks – The influence of banks on foundation culture is seen in the language that foundations use, the seriousness with which boards take their fiduciary responsibility, their careful assessment of risk, and the highly structured grant and approval processes. Like banks, many foundations have a reputation for exclusivity and lack of transparency that tends to isolate staff from their communities and leads to practices such as invitation-only grant applications.

2) Universities – The roots of universities in foundation culture can be seen in the priority by which many foundations seek to gain knowledge through written analysis and assessments, intellectual stewardship and deep analytical thinking. Like universities, foundations can be hampered by overemphasis on rigor and analysis that can slow experimentation and they can create silos that are divisive and discount the ideas and experiences of practitioners.

3) Corporations – Foundation culture is often an offshoot of for-profit cultures since the origin of foundation wealth is frequently linked to successful businesspeople. This is reflected in the power that many foundations give to the investment committee of their board, the focus and dedication boards pay to financial matters, the emphasis foundations place on metrics and ratios, and the deference to (and expectations of) dynamic, charismatic leaders who can "fix" things.

The publication concludes by emphasizing that foundations need not accept the "self-imposed limitations of traditional foundation culture," but should instead try to adopt a culture that is better aligned to tackle complex emergent problems.

The full publication is available at the following link:
http://docs.geofunders.org/?filename=2015_source_codes_foundation_culture.pdf&utm_source=20151008_Marketing_Enright_SeniorLeaders&utm_medium=email&contactid=0036000000sK6ZYAA0

A "discussion starter" is also available for foundations to begin a conversation about culture:
http://www.geofunders.org/storage/docs/2015_culture_discussion_starter.pdf

Results of an Original 2015 National Poll
Philanthropy Roundtable
December 2015

The results of an opinion survey of the charitable sector commissioned by the Philanthropy Roundtable are presented in this report. The survey is based on a random sample of 1,000 likely voters over age 18. The survey results have a margin of error of plus/minus three percentage points and a 95 percent confidence interval.

A few key findings from the survey include:

- Slightly more than half (55 percent) see American contributions to charitable giving as more generous than other countries; and most (86 percent) see charitable giving as very important to keeping America healthy and successful.
- Almost half (47 percent) see philanthropic aid as the first choice in solving social problems, while a third (32 percent) view the first choice as government; and a majority (59 percent) view private charities as the most cost effective vehicle for promoting social good.
- Half (50 percent) don't agree that Americans should be encouraged to give a larger share of their income but neither do most (79 percent) believe in eliminating tax deductions nor capping charitable contributions.
- Most (61 percent) believe government needs to allow charities, donors and foundations wide opportunities to find new and better ways of solving social problems, providing evidence for the argument that the charitable sector should be given significant latitude.
- Nonprofit charities are the most trusted type of organization to address the most pressing issues of the day (43 percent), compared with 28 percent who view entrepreneurial companies and 14 percent who view government agencies as the most trusted.
- When making a charitable contribution, most (71 percent) give to local causes, as opposed to national (18 percent) or international causes (4 percent).

The full survey results can be found at the following link:
http://www.philanthropyroundtable.org/almanac/results_of_original_national_poll/

Blueprint 2016: Philanthropy and the Social Economy: Annual Industry Forecast
Lucy Bernholz
GrantCraft/Foundation Center
December 2015

Lucy Bernholz's annual forecasts over the last several years have focused on trying to nudge the sector to look beyond just nonprofits and the charitable sector to the full context of the social economy and digital infrastructure. This year's forecast "declares victory" on this front, suggesting that the "dynamic relationships among social businesses, nonprofits and social welfare organizations are no longer abstract possibilities; they are the everyday experiences of people using their private resources to make the world a better place." From this assessment, she delves more into "digital civil society," which encompasses all the ways we voluntarily use private resources, including digital data and infrastructure, for public benefit.

Her two "big ideas that matter" for 2016 are about:

- *The structure of work*. Technology and digital applications have supported tremendous growth in the "gig economy," where some estimates suggest that 43 percent of Americans working a 40-hour work week don't have a regular full-time job. Bernholz says that the social support system created in the last century, which assumes full-time employment at a single job, must change to meet the needs of today's workers. She asks: if the economy is undergoing fundamental shifts, what role do we want nonprofits, foundations and other social economy actors to play? How will we restructure the social safety net, in which nonprofits play such a key role? What are the implications for the new structure of work on nonprofits?

- *The current shape of civil society*. Bernholz observes that while some digitally-enabled citizen action is flourishing as exemplified by the Black Lives Matter movement in the U.S., rights to free expression, association and assembly in other parts of the world have declined dramatically such as in Russia. Bernholz argues that foundations should do more to promote and recognize the fundamental importance that digital policy and tools play in a well-functioning civil society.

In addition to describing these big ideas, the forecast provides a "worksheet" for foundations and others to prompt discussion about the changing nature of work (such as the growth of automation, information and digital assets) as well as issues affecting the shape of civil society (including access to information, privacy considerations and the social economy). The blueprint further provides predictions for 2016 both in the US and globally and reveals new "buzzwords" to watch in the coming year such as: "overhead myth," "effective altruism" and "publication bias".

The full forecast can be accessed at the following link:
http://www.grantcraft.org/assets/content/resources/blueprint_2016_final_web2.pdf

Looking Back at 50 Years of U.S. Philanthropy
Hewlett Foundation
Benjamin Soskis and Stanley N. Katz
December 2016

This paper reflects on what has changed in the last 50 years, when the Hewlett Foundation was created. Key reflections include:

1) **Foundations have become more diverse and less homogenous.** The most apparent and well-documented facet of this is the geographic diffusion of foundations from New York and the mid-Atlantic to the west coast and to other parts of the country. It is no longer possible to talk about a single "philanthropy establishment," as was the case in the 1950 and 60s. The sector has also changed demographically from a sector almost exclusively led by white males to one that has a more equal, though still inadequate, representation of women and people of color.

2) **Philanthropy has grown larger in assets and giving.** While the relative dominance of a small number of very large foundations has remained constant over time, the identities of those at the top has changed dramatically. Following a two-decade period of slower growth after Hewlett's establishment, the field of philanthropy has grown exponentially since the 1990s. Today, the sector skews bigger and younger than ever before with many more foundations having a billion dollars or more in assets and a noticeable surge in foundation "mega-gifts," those of more than $100 million in a single gift.

3) **Philanthropy is operating in an age of inequality and also trying to address it.** In the mid-1960s, the United States was enjoying a period of generally distributed economic growth. Over the following decades the middle class shrank while the wealth controlled by the rich captured an increasing share of the nation's economic growth. As a result, there is more suspicion of philanthropy's wealth and influence than at any point before (save the first part of the 20th century). However, unlike then, prominent foundations today are themselves beginning to address the causes and consequences of inequality.

4) **Philanthropy's relationship with government is continually shifting.** In the 1960, a select group of foundation became more active in funding policy advocacy work bordering on political. This led to the passage of the Tax Reform Act of 1969, which put the policy activity of many foundations on the defensive for decades. Since the early 2000s, philanthropy has developed a new relationship with government that accepts the idea that philanthropic resources are limited compared to government but at the same time acknowledges that philanthropy can be more entrepreneurial relative to government.

5) **Philanthropy has become more donor-centric and market oriented.** In the last half century, particularly in the last 20 years, philanthropic practice has increasingly incorporated market-oriented principles, leading to the rise of strategic philanthropy that is more donor-centric. As a result, foundations are more fully engaged in the idea of improving a grantee's effectiveness and have become more proactive – with specific agendas, identities and preferred approaches to creating change – than before.

The report is available at the following link:
http://www.hewlett.org/wp-content/uploads/2016/12/50-Years-of-U.S.-Philanthropy.pdf

Shifting Winds: Foundations Respond to a New Political Context
The Center for Effective Philanthropy
April 2017

This report summarizes foundation CEOs reactions to the new political context in Washington, DC. It is based on the survey response of 162 foundation CEOS (out of 477 surveyed) who lead foundations that make grants of at least $5 million annually.

Key Findings:

1) Almost half of the foundation CEOs say the change in presidential administration will have a negative effect on their foundation's ability to achieve its goals; 24 percent have a mix of positive and negative effects; 17 percent not sure or too soon to tell; 8 percent no effect; and 3 percent a generally positive effect.

2) A little over half of foundation CEOs identified a challenge they predict will result from the presidential election. A third of those CEOs identified the challenge as being a new administration that is at odds with their foundation on an issue that is central to their work, most notably healthcare, immigration and the environment.

3) At the same time, 50 percent of CEOs identified an opportunity they predict will result from the presidential election. Most frequently, the CEOs mentioned increased citizen engagement and activism resulting from President Trump's election.

4) Almost a third of CEOs say they are making, or planning to make, some change in their work as a result of the presidential election. Some of the changes refer to shifts in goals such as being more strategic, focused and targeted in areas of need, building the organizational capacity of grantees and increasing safety net funding.

5) More than one third of the CEOs say their budget will change: 14 percent say their grantmaking budget will increase; and 20 percent say although their grantmaking budget will not change, its composition will.

6) Two-thirds of CEOs are planning to increase their emphasis on at least one practice, and half are planning to increase their emphasis in three or more areas.
   - 46 percent plan to increase emphasis on collaboration with other funders,
   - 45 percent plan to increase emphasis on advocacy/public policy at the state level and 43 percent on the local level.
   - 42 percent plan to increase emphasis on convening grantees.

The report is available at the following link:
http://research.effectivephilanthropy.org/shifting-winds-foundations-respond-to-new-political-context

Final State of the Work: Stories from the Movement to Advance Diversity, Equity, and Inclusion
D5 Coalition
April 2016

The fifth and final report in a series of annual reports from D5 chronicles its work and progress to spur diversity, equity and inclusion (DEI) in the philanthropic sector. It reflects both successes and frustrations that D5 has encountered during the past five years. The report uses stories of people in foundations who have taken action to advance DEI to highlight what has worked and what challenges remain.

The movement toward a more representative field has been mixed, based on 2010-2015 data:

- The number of foundations that have reported gender and racial/ethnic data for full-time paid staff in the annual COF survey has grown by approximately 30 percent.
- The percentage of CEOs and program officers who are people of color has been relatively flat over the past five years; however, the percentage of other senior executive level staff (not including CEOs/Presidents) who are people of color has increased slightly.
- The percentage of women who are program officers and senior executive staff in foundations is higher than men and at relative parity with men at the CEO level.
- While difficult to measure, funding for "diverse populations" has increased over the past five years for women and girls, people with disabilities and LGBT communities, while funding for ethnic and racial minorities has decreased.

D5 had four primary goals, and it shares the lessons that emerge from their five years of work:

1. **Goal: Recruit diverse leaders for foundations, including CEO, staff, and trustees.**
   Lesson: Progress has been made but foundations and other philanthropic organizations have a long way to go in elevating diverse leaders from different races and ethnicities, genders, LGBT communities, and people with disabilities.

2. **Goal: Identify the best actions we can take in our organizations to advance DEI.**
   Lesson: The greater access foundation leaders have to tools and resources, the more likely they are to take voluntary action that advances diversity, equity, and inclusion.

3. **Goal: Increase funding for diverse communities and ensure that foundations offer all constituencies equal opportunity to access the resources they need to thrive.**
   Lesson: The data about funding for diverse communities is still incomplete which makes this goal hard to measure. However, when such data is collected and used, it helps to inform grantmaking strategies and allows for more diverse voices in decision-making processes.

4. **Goal: Improve data collection and transparency so we can measure progress.**
   Lesson: While other fields harness the power of data to measure effectiveness and diversity, the foundation community lags behind in collecting information about the diversity of their trustees, staff, and grantmaking and then using that data to inform their decisions.

The full report is available at the following link:
http://www.d5coalition.org/wp-content/uploads/2016/04/D5-SOTW-2016-Final-web-pages.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

Final State of the Work: Stories from the Movement to Advance Diversity, Equity, and Inclusion
D5 Coalition, April 2016

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

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Donald Haider, Katherine Cooper, Reyhaneh Maktoufi
Metropolitan Chicago Nonprofit Merger Research Project
April 2017

"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 led 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 lay off 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/

What Do Nonprofits Stand For? Renewing the nonprofit value commitment
Lester M. Salamon, Stephanie L. Geller, Chelsea L. Newhouse
Johns Hopkins Center for Civil Society
December 2012

The authors argue that in recent years the pull toward a "commercial managerial impulse" has at once led to new funding streams and greater emphasis on efficiency but has led away from deeply held public conceptions about what constitutes the nonprofit sector and its value to society. They argue that the sector must renew itself by clarifying the sector's core values; improving the partnership between the nonprofit sector and government; strengthening the nonprofit finance model; and improving public understanding about the sector.

The report's findings – based on a survey of 731 nonprofit organizations focused on human services, arts or community development – indicate that there is basic agreement among the respondents about the sector's core attributes and values.

- 85% of nonprofits deem seven core attributes as either important or very important: effective, responsive, reliable, caring, enriching, empowering, and productive.
- 80% of nonprofits say they embody the attributes of effective, responsive, reliable, caring, enriching either well or very well; 67% say they embody "empowering" well or very well and 58% say they embody "productive" well or very well.
- Nonprofits believe they exemplify these attributes better than government: caring (89%), enriching (89%), responsive (88%), empowering (86%), effective (72%), productive (72%), reliable (67%).
- Nonprofits believe they exemplify three attributes better than for-profits: caring (89%), enriching (78%), empowering (72%); and nonprofits believe that they equally exemplify four attributes equally as well as for profits: responsive (44%), reliable (55%), effective (64%), and productive (53%).

The report also finds that there is concern that stakeholders in government, the media and the public don't understand the sector's core values and they fear the consequences if more isn't done to communicate the sector's core values.

- More than 50% of nonprofits feel that government and the general public don't understand the special qualities and attributes of the sector; and over 30% say funders and media don't understand these attributes.
- External reasons cited by nonprofits for key stakeholders lack of understanding about the sector include biases and stereotypes that make it hard to gain acceptance; the complexity of services and programs; and increasing attention to the economy and concerns about the budget deficit.
- Nonprofits also attribute the lack of understanding about the sector to internal problems. For instance, 62% of nonprofits say the sector does a poor job of articulating its core values.
- 97% believe that enhancing the communication efforts of the nonprofit sector is either important or very important

The full report can be found at:
http://ccss.jhu.edu/wp-content/uploads/downloads/2012/12/What-Do-Nonprofits-Stand-For_JHUCCSS_12.2012.pdf

The State of Scaling Social Impact: Results of a National Study of Nonprofits
Cynthia W. Massarsky & John F. Gillespie
Social Impact Exchange and Veris Consulting
January 2013

This report details how nonprofits view scaling, their motivations and readiness to grow, and the strategies they are deploying to achieve scaled impact. It also serves to highlight the challenges they face as well as the information and support they need to move forward. The report is based on 436 responses to an online survey distributed by email to Social Impact Exchange members, 96% of respondents reported that they were "engaged in scaling impact."

The report's key findings are as follows:

- Nonprofits are heavily engaged in scaling and believe that scaling impact is one of the most important activities to address the social problems they are working to solve. For them, scaling impact is about helping more people in need and facilitating systemic change.
- Nonprofit scaling efforts are focused on traditional avenues for growth — expanding target audiences or replicating their models — and an overwhelming percentage are past the assessment stage in scaling their initiatives and expect to complete implementation in less than six years.
- Both funders and nonprofits need more information about the effectiveness and return on investment of various approaches to scaling and growth planning.
- There is a strong need for better information and more funding dedicated to impact measurement, so organizations can evaluate their programs and scale only those innovations with proof of results.
- Though often overlooked, investments in nonprofit boards can be highly impactful to strengthen organizations and support their scaling efforts, through their role in strategy formation and decision-making.
- On average, nonprofits require a significant amount of funding to finance their growth, yet raising capital continues to be a challenge. Nonprofit leaders identify securing sufficient capital as most helpful to their growth efforts, with those conducting scaling campaigns having raised an average of only 17% of the funds required.

The report highlights two areas that are a particular challenge to scaling social impact. First, there is a lack of information about what it takes to scale, noting the importance of high-quality, accessible information that can be captured, shared, and leveraged for both planning and decision-making. Second, there is an absence of structured, accessible capital that would enable initiatives to evaluate their work and build their operational and financial capacity to support their spread or growth. The report encourages sector-wide focus on the challenges and on better understanding about what is needed to scale social impact.

The full report can be found at:
http://www.verisconsulting.com/Documents/TheStateofScalingImpact_NationalNonprofitStudy_Jan2013.pdf

Nonprofit Fundraising Study: Covering Charitable Receipts at U.S. and Canadian Nonprofit Organizations in 2012
Nonprofit Research Collaborative
April 2013

Charitable organizations face rising demands for services and lower revenues from government grants, fees, and other sources of revenue. At the same time, donors are gaining more confidence in their own economic futures as the economy is trending up, slightly and slowly. This report looks at charitable receipts from January through December of 2012, based on survey responses from nearly 1,200 charitable organizations in the U.S. and Canada.

Among the findings of the study were:

- Overall fundraising receipts continue to rise: 58% of respondents saw fundraising receipts increase in 2012, compared with 53% in 2011 and 43% in 2010.
- Receipts from foundation gifts increased over the last three years at less than half of the responding charities: in 2012, gift receipts increased at 41% of responding charities, compared with 42% in 2011 and 40% 2010.
- Corporate gift and grant receipts, while small in actual numbers, increased over the previous year: corporate contributions rose at 38% of responding charities, compared with 34% in 2010.
- Board contributions have remained flat: they rose at 39% of responding charities last year, compared with 42% in 2011 and 39% in 2010.
- A majority of fundraising goals are being met: 63% of respondents met their fundraising goals in 2012, compared with 59% in 2011 and 52% in 2010.
- Fundraising activities are resulting in more revenue: 50% of respondents saw an increase in major gift receipts from the previous year; 60% saw an increase in online gift receipts; and 54% saw an increase in special event receipts.
- Only a third of responding charities indicated that they have a formal planned giving program.

The report provides a number of recommendations for enhancing fundraising efforts:

- Develop comprehensive plans for engaging donors by setting and monitoring fundraising goals.
- Focus on engagement strategies that support greater donor retention and thinking of donors as the future of your organization.
- Commit organizational resources sufficient to meet fundraising plans and assign responsibility to specific staff.
- Consider the demographic changes of the organization’s constituency and tailoring communications vehicles to reach and engage them.

The full report can be found at:
http://www.npresearch.org/about-us/new-report.html

2013 State of the Nonprofit Sector Survey: National Results
Nonprofit Finance Fund
March 2013

This annual report details the state of the nonprofit sector in 2012 and how nonprofits organizations are adapting their organizations and finances to economic conditions. The report is based on responses from nearly 6,000 nonprofits from across the country. Among the key findings are the following:

Nonprofits need new funding sources and models.

- 42% of survey respondents report that they do not have the right mix of financial resources to thrive and be effective in the next 3 years.
- 1 in 4 nonprofits has 30 days or less cash-on-hand.
- Over the next twelve months, 39% plan to change the ways they raise and spend money.
- 23% will seek funding other than grants or contracts, such as loans or investments.

Nonprofits that receive government funding face particular challenges.

- Only 14% of nonprofits receiving state and local funding are paid for the full cost of services; just 17% of federal fund recipients receive full reimbursement. Partial reimbursements require additional funding to cover the growing gap as nonprofits serve more people.
- Government is late to pay: just over 60% reported overdue payments from local or state government; over 50% reported late payments from the federal government.

Many nonprofits are unable to meet growing need in their communities.

- For the first time in five years, more than half (52%) of respondents were unable to meet demand over the last year; 54% say they won't be able to meet demand this year.
- Jobs (59%) and housing (51%) continue to be top concerns for low-income communities.
- 90% of respondents say financial conditions for their clients are as hard, or harder, than last year.

Nonprofits are making adjustments in how they deliver services and do business.

- 49% have added or expanded programs or service, while 17% have reduced or eliminated programs or services.
- 39% have collaborated with another organization to improve or increase services.
- 39% have upgraded technology to improve organizational efficiency.
- 36% engaged more closely with their board.

The full report can be found at:
http://nonprofitfinancefund.org/files/docs/2013/2013survey-results.pdf

Nonprofit-Government Contracts and Grants: Findings from the 2013 National Survey
Sarah L. Pettijohn, Elizabeth T. Boris, Carol J. De Vita, Saunji Fyffe
Urban Institute
December 2013

This report provides a context for understanding current trends in government contracting with nonprofit organizations and offers recommendations for improving efficiency in the public funding process. The report's findings are based on a random sample survey of 20,000 nonprofit organizations from all 50 states and Washington, DC. There were approximately 7,800 survey responses (39% response rate); 4,024 surveys were completed in their entirety.

Key highlights of the study are:

- Non-human services nonprofits have seen a decrease in government contract funding from 2009 to 2012 and have responded primarily through the use of reserve funds and staff reductions.
- Compared to 2009, human services nonprofits have received the same or more funding from states and localities, but a moderate decrease in funding from the federal government.
- Nonprofits report a number of issues in their dealings with government contracts. For instance, 68 percent of human service nonprofits reported governments do not pay the full cost of services; 75 percent of all nonprofits indicated that the complexity and time involved in applying for and reporting on contracts and grants is problematic; and 58 percent said the government changes existing contracts and grants in ways that create additional challenges.

Governments could improve the contracting process if they would:

- Standardize and simplify applications, financial reporting formats, and outcome reporting across levels of government, with input from nonprofits.
- Implement document repositories that are accessible across government agencies so that commonly required paperwork (e.g., audits, proof of nonprofit status, licenses and other commonly required documents) can be provided once and updated at specified times.
- States and localities should follow the federal government and implement transparent online systems (such as grants.gov) that lists all grants and contract opportunities available
- Involve nonprofits in working groups to identity and agree on mutually beneficial accounting processes.

The report says nonprofits should more actively encourage both government and foundations to enact reforms that simplify and standardize applications and reporting requirements; provide additional feedback to government funders and develop and improve their organizational capacity to successfully implement government contracts and grants by more closely tracking staff time and identify performance indicators and ways to collect and assess performance and measure outcomes.

The report is available at the following link:
http://www.urban.org/UploadedPDF/412962-Nonprofit-Government-Contracts-and-Grants.pdf

Investing for Impact: Indirect Costs Are Essential for Success
National Council of Nonprofits
September 2013

In recent years the Government Accountability Office and Office of Management and Budget have come to recognize that the long-term viability of nonprofits and their ability to maximize their impact depends on receiving funds from grants and contracts to cover indirect costs. Despite new evidence that the highest performing nonprofits spend more on administrative overhead than their peers, the underfunding of such expenses has resulted in a "vicious cycle of reduced efficiency and effectiveness" with nonprofits providing fewer and lower-quality federal services.

Underfunding of indirect costs in government grants and contracts are exacerbated by:

- Inconsistent accounting terms for direct and indirect costs. For example, the OMB Circular A-122, which is used to guide federal grants and contracts, divides indirect costs between administrative and facilities expenses, while the IRS Form 990, along with charity watchdog groups, divides them between management/general costs and fundraising.
- Arbitrary limits prevent legitimate indirect costs from being fully incorporated. Many states and local government have no requirements to reimburse such costs while the federal government allows for different negotiated rates.
- Unrealistic expectations are placed upon nonprofits. There is an assumption that nonprofits can operate effective programs without adequate support for their organizational infrastructure.

Among the solutions offered are the following:

- Provide and apply clear and consistent definitions of administrative costs, indirect costs and overhead
- Require federal, state and local governments to reimburse nonprofits for indirect costs, regardless of whether the nonprofit is a prime or sub-recipient, or from where funds originally emanate
- Allow nonprofits the option of utilizing a reasonable standardized rate, a cost pooling system, or a negotiated rate based on actual costs
- Standardize grant and contract language so that all are consistent with the A-110, A-122 and GAAP
- Stop legislatively mandating artificially low limitations on indirect costs per funding stream

The report is available at the following link:
http://www.govtcontracting.org/sites/default/files/investing-for-impact.pdf

“Why Nonprofit Mergers Continue to Lag”
Katie Smith Milway, Maria Orozco, and Cristina Botero
Stanford Social Innovation Review
Spring 2014

This article – based on an analysis of legal mergers in four states and a series of interviews with nonprofits, funders and intermediaries involved in merger activity – looks at factors that may inhibit nonprofit mergers and offers some strategies for addressing them. According to their analysis, rates of nonprofit mergers from 2007-2012 were similar to the rates from 2001-2006, despite the economic downturn and increased support for nonprofit mergers by foundations.

They say that three challenges are preventing more mergers. First, board members find it hard to look beyond their own organizations and work on the broader mission of a new organization, especially in aligning interests that might be in conflict. Second, not all senior staff members may have a clear or defined role in the new organization or they may have less authority than before. Third, each organization has its own brand and identity, which can cause friction as the new organization tries to determine how they want to communicate their mission and values.

To address these challenges, they suggest the following:

- Develop a formal and recurring practice for board members and senior staff to look for opportunities to merge or partner with other organizations.
- If an opportunity arises where interests align, get to know the senior staff and board members of each organization.
- Create a plan with formal roles and responsibilities for the merger process to follow, paying particular attention to the development of the due diligence process.
- Once a plan is in place, prioritize transparency, especially about finances as early as possible.
- Don’t move too quickly or get pushed into arbitrary deadlines by those outside the organizations.
- Identify the toughest issues – like roles for senior staff and board members and issues of culture and identity – of the new merged organization and address them head on.
- Create roles and potential opportunities for senior staff and board members in the new organization that fit their skills and abilities.
- Recognize that not all board members and senior staff may fit in the new organization.
- Use facilitators and outside help to broach difficult conversations or issues.
- Think through all the possible options of the brand, including using different brands for different purposes, blending the brands together as one, or creating a new brand entirely.

The conclusion notes there are other opportunities short of mergers – such as coalitions, formal partnerships, joint ventures, and sharing back office services – that offer some of the same benefits of a merger. These allow for greater familiarity and trust between the organizations to develop that may ultimately lead to a merger later on.

The article is available at the following link:
http://www.ssireview.org/articles/entry/why_nonprofit_mergers_continue_to_lag

NFF 2014 Annual Survey: Summary Results
Nonprofit Finance Fund
April 2014

The Nonprofit Finance Fund's 2014 Annual Survey reports a sector with a financial outlook that continues to be strained by increased demand, limited reserves and other fiscal challenges. Among the key findings from the survey of 5,000 respondents:

- *The economic recovery has resulted in increased demand for services*. In the last 12 months, 80 percent of nonprofits reported an increase in demand; 56 percent were unable to meet that increased demand; and only 11 percent expect the demand to lessen in the coming year.
- *Building cash reserves and achieving long term stability remains a challenge*. Similar to the previous year, 55 percent of nonprofits currently subsist with three months or less of cash reserves; 28 percent had a deficit, 31 percent broke even and 40 percent had a surplus. In all, 41 percent of nonprofits identified achieving long-term financial stability as a top challenge.
- *Nonprofits are working to bring in new revenue.* In the next 12 months, 31 percent of nonprofits will change the primary ways in which they raise and spend money; 26% will pursue an earned income strategy; and 20% will seek funding other than grants and contracts, such as loans or other investments.
- *Nonprofits are taking steps to increase their impact.* In the past 12 months, 49% collaborated with another organization to improve or increase services; 48% invested money or time in professional development; 40% upgraded hardware or software to improve organizational efficiency; and 39% conducted long-term strategic or financial planning.
- *Funders are placing more demand on impact and program metrics.* Over 70% of nonprofits surveyed indicated that funders are requesting impact or program metrics, but only 1% report that funders always cover the costs while 71 percent say such costs were rarely or never covered.

Opportunities for funders to help support and improve the nonprofit sector include:

- Investing in nonprofit planning around long-term financial sustainability
- Helping nonprofits to diversify their funding sources
- Supporting efforts to market and engage the communities the nonprofits serve
- Providing unrestricted funds to nonprofits to invest in infrastructure and meet core demands
- Improving the communication between nonprofits and funders about the critical needs and financial realities of nonprofits

The report is available at the following link:
http://nonprofitfinancefund.org/files/docs/2014/2014survey_natl_summary.pdf

An interactive analysis tool of the survey can be found at the following link:
http://survey.nonprofitfinancefund.org/

Toward Common Sense Contracting: What Taxpayers Deserve
National Council of Nonprofits
2014

Building on previous studies from the Urban Institute, this report further examines the problems associated with contracts between government (at all levels) and nonprofits, which add to the overall costs of services. The report also suggests ways to improve contracting processes.

The common problems identified include:

- The failure to pay the full costs of contracted services as a result of arbitrary caps on reimbursement of indirect expenses.
- The complexity of the contracting application process that requires additional time and resources for nonprofits to navigate.
- Modifications to contracts after they have been signed, including cuts to agreed-upon payments, redefined eligibility of payments, and added contract service requirements.
- Late payments to nonprofits for services already rendered.
- The complexity of reporting requirements such as duplicative audits, overlapping and inconsistent compliance procedures, and overall lack of standardization.

A number of possible solutions are offered, which are divided among four categories.

1. Collaborative Problem-Solving
   - Develop government-nonprofit task forces that can identify and reduce contracting problems.
   - Develop and leverage nonprofit liaisons to oversee and promote better contracting processes.
   - Conduct joint training programs to promote common understanding around contracting.
   - Find ways to gather input from nonprofits to improve contracting and grants processes.

2. Accountability for Full and Prompt Payments
   - Provide full payments for indirect costs and repeal arbitrary caps where they exist.
   - Ensure that the indirect cost reimbursements for each program are publically disclosed.
   - Develop clear and consistent definitions of administrative, indirect and overhead costs.
   - Enact and enforce prompt payments laws at the state and local levels.
   - Enact and enforce contracting laws that require a contract to be completed before nonprofits are requested to deliver services.
   - Provide information to the public as to how quickly payments are being made by government agencies to nonprofits and other contractors.

3. Elimination of Unilateral Mid-Stream Contract Changes
   - Create independent offices and/or urge Attorneys General to take action to ensure governments honor agreements and stop unilateral changes to them.
   - Standardize contract and grant language and reporting requirements across agencies.

4. Simplifying Complex Application and Reporting Requirements
   - Reduce redundancy in the application process by creating an electronic depository with commonly required documents for nonprofits.
   - Reduce monitoring by standardizing and integrating reporting and auditing across agencies.

The full report is available at the following link:
http://www.councilofnonprofits.org/files/downloads/toward-common-sense-contracting-what-taxpayers-deserve.pdf

United for Charity: How Americans Trust and Value the Charitable Sector
Independent Sector
November 2016

This IS report presents the results of a public opinion poll of how Americans view the charitable sector and its interaction with government as well as tax policies that impact charitable giving, based on 1,300 voters (800 nationally, 500 in battleground states) and a series of in-person and online focus groups. The report concludes with a number of policy recommendations.

Key poll findings:

- 78 percent support a bigger role for the charitable sector in working with the federal government to produce more effective and efficient solutions to problems.
- 70 percent are more likely to vote for a candidate who supports policies that help the charitable sector become more involved in government policy making.
- 74 percent trust charities with their money more than they do the federal government, including 85 percent of Republicans, 75 percent of Independents, and 68 percent of Democrats.
- 88 percent believe it should be easier to deduct charitable contributions and 58 percent oppose decreasing deductions for charitable contributions.
- 79 percent want to allow all taxpayers to take advantage of charitable deductions, not just those who itemize their taxes.
- 85 percent believe that charities should operate under the same rules as other sectors like private corporations and unions in terms of the ability to communicate with policymakers on behalf of their interests.

Policy recommendations:

1) Strengthening the charitable sector through tax reform
- Expand the federal charitable tax deduction beyond those that itemize deductions to all Americans.
- Create charitable giving accounts that would allow people to save for and prioritize charitable giving in the same manner they already save for retirement and health care expenses.

2) Giving the charitable sector a greater voice in policymaking
- Clarify the rules of engagement for the charitable sector in the policymaking process and actively encourage greater engagement by the sector in the policymaking process.
- Elevate the voices of those in the community in need and those serving them by engaging them in the policymaking process.
- Establish a "presidential community solutions challenge" in which agencies across the government can partner with top charitable organization to develop innovative solutions to difficult public problems.

The report is available at the following link:
https://www.independentsector.org/uploads/UnitedCharity/united-for-charity-report.pdf

Mergers as a Strategy for Success 2016
Donald Haider, Katherine Cooper, Reyhaneh Maktoufi
Metropolitan Chicago Nonprofit Merger Research Project
April 2017

This study explores how nonprofit organizations can use mergers to achieve their goals, advance their missions, and increase their impact. It is based on more than 100 interviews with key participants in 25 nonprofit mergers that took place in the Chicago metro area between 2004 and 2014.

Rationales and Takeaways:

- 88 percent of organizations that merged (both acquired and acquiring nonprofits) felt that the organization was better off after the merger.
- Almost all merger participants cited growth as their primary merger goal, including those experiencing financial challenges.
- Most merger participants sought either more efficient/higher quality services or to expand their operations into new or different services.

Characteristics of the 25 Merged Organizations:

- The acquiring organization had experienced a prior merger in 60 percent of cases.
- A prior relationship existed between the merged organizations in 80 percent of cases.
- The acquired organization initiated the merger discussion in 60 percent of cases.
- A third party consultant or facilitator was used in 80 percent of the cases.
- The board chair or a board member from one of the organizations emerged as the chief merger advocate in 85 percent of the cases.
- Funders paid part or most of the merger costs in 44 percent of the cases.

Ten Keys to Merger Success based on this analysis:

1. Trust is the key to all other issues in merger negotiations.
2. The most successful mergers are mission-driven.
3. Be clear about the overall goals and how the merger will help to achieve those goals.
4. Acquire as much information as possible about the potential partner.
5. The CEO should promote discussions about a merger strategy, especially in transitions.
6. Boards/Board Chairs must be merger advocates for mergers to succeed.
7. Staff involvement, particularly management, is critical to the merger and later integration.
8. Pay attention to cultural alignment between organizations.
9. Most successful mergers rely on outside experts, but not in all cases.

The full report is available at the following link:
http://chicagonpmergerstudy.org/sites/default/files/pdfs/2016_Metro_Chicago_NPMerger_Research_Project_Report.pdf

A summative article in SSIR is available at the following link:
https://ssir.org/articles/entry/nonprofit_mergers_that_work

<u>Nonprofit Leadership and Capacity-Building</u>

"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

Underdeveloped: A National Study of Challenges Facing Nonprofit Fundraising
Jeanne Bell and Marla Cornelius
Compass Point and Evelyn and Walter Haas, Jr. Fund
January 2013

Strengthening Nonprofit Capacity: Core Concepts in Capacity Building
Grantmakers for Effective Organizations
September 2016

"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

Underdeveloped: A National Study of Challenges Facing Nonprofit Fundraising
Jeanne Bell and Marla Cornelius
Compass Point and Evelyn and Walter Haas, Jr. Fund
January 2013

Based on a national survey of 2,700 executive directors and development directors, as well as a series of focus groups, the report highlights the significant challenges nonprofits face in fund development and provides general recommendations for addressing them.

Fundraising challenges include the following:

- High turnover of development directors – 50% of development directors expect to leave their current position/organization within two years
- Lack of commitment by development directors to fundraising – 40% of development directors indicated that they would likely leave the field of fundraising within two years.
- Long vacancies – the median length of vacancies among agencies without a current development director was 6 months
- Weak talent pool of qualified development directors – 53% of executive directors report not having a sufficient pool of high-quality candidates for a candidate
- Underperforming development directors – one in three executive directors are "lukewarm about" or "dissatisfied with" their current executive director's performance
- Lack of fundraising skills – 24% of executive directors say their development directors have no experience or are novices in current or prospective donor research; and 26% say they have no experience or are novices in securing gifts
- The culture of nonprofits frequently undervalues the importance of fundraising – 23% have no fundraising plans; 21% have no fundraising database; and only 9% say they have sufficient capacity to meet their fundraising goals
- Lack of board engagement in fundraising – 75% of executive directors say board member engagement in fundraising is insufficient; 1 in 4 have no board fundraising committee
- Lack of CEO engagement in fundraising – 26% of CEOs say they are novice fundraisers; only 41% of development directors say they partner with the CEO in fundraising efforts.

The report provides ten "calls to action" for the sector to better support nonprofit fundraising: (1) embracing fund development organizationally by creating a "culture of philanthropy" within each organization; (2) elevating the field of fundraising by promoting it as an attractive and rewarding career critical to social change; (3) strengthening and diversifying the pool of development directors available by creating a career pipeline of next generation fundraisers; (4) educating boards in effective strategies that address what it takes to systematically create and sustain successful development efforts; (5) developing a plan for the development director position to help transition roles and assess its strategy and capacity; (6) investing in grantees' fundraising capacity to support the skills and systems that organizations need to fundraise; (7) leveraging technology to support fundraising efforts including social media, online fundraising and other tools to cultivate and retain donors; (8) setting realistic goals for development that are ambitious and achievable; (9) sharing accountability for fundraising results across the organization; and (10) exercising fundraising leadership at both the development director and executive director levels.

The full report can be found at:
http://www.compasspoint.org/sites/default/files/images/UnderDeveloped_CompassPoint_HaasJrFund_January%202013.pdf

Strengthening Nonprofit Capacity: Core Concepts in Capacity Building
Grantmakers for Effective Organizations
September 2016

Capacity building is about assisting nonprofit leaders (staff and board) in attaining skills and resources to develop and sustain effective, efficient, and resilient organizations. This report looks at how grantmakers can best provide that assistance to nonprofits.

Key Principles for Grantmakers that Seek to Build More Effective Nonprofits:

1. *Make it Contextual*: capacity building must meet the unique characteristics and needs of each organization and be able to address challenges in real time.
2. *Make it Continuous*: ongoing support builds mutual trust and transparency between grantmakers and grantees and recognizes that capacity building takes time.
3. *Make it Collective*: approaches should coordinate support with other funders and create networks for peer-to-peer learning and collaboration.

Lessons for Grantmakers for Successful Nonprofit Capacity Building:

- Listen to grantees before investing in capacity building to understand how the nonprofits themselves feel about their own needs and capacities; this requires a trusting relationship with the nonprofits that allows for honest conversations to occur.
- Capacity building is hard, time-consuming work that requires buy-in from across the grantmaking organization and its board; therefore, it is important to clarify why nonprofit capacity building is important to meeting the grantmaker's mission.
- Assess nonprofit readiness and interest in capacity-building in ways that are not burdensome to the nonprofit.
- Determine the type of support that best meets the needs of the grantee and the grantmaker's own funding approach; different types of support – general operating, organizational capacity building grants, technical assistance – have their benefits and limitations.
- Don't impose capacity-building on nonprofits but rather try and build trust by engaging with grantees and making sure they own the capacity building goals.
- Keep communication channels open and check-in often to identify what is working and discuss areas of improvement.

Principles for Grantmakers to Assess the Impact of Capacity Building

- Set realistic expectations through candid conversation with grantees that recognizes the difficulty of measuring organizational changes.
- Identify clear goals with grantees to help measure progress and, where appropriate, engage nonprofit trustees in the development of the capacity-building goals.
- Assessment tools should not be used as "report cards" but rather to spark conversation and learning for both grantees and grantmakers.
- Avoid overly burdensome or time-consuming assessments.
- Grantmakers should ask for feedback along the way to ensure alignment of goals and resources.

The full report is available at the following link:
http://bit.ly/2dOcCWZ

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

Foundation Giving for Nonprofit and Philanthropic Infrastructure 2004-2012
The Foundation Center
Funding from William and Flora Hewlett Foundation
March 2015

"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/

Foundation Giving for Nonprofit and Philanthropic Infrastructure 2004-2012
The Foundation Center
Funding from William and Flora Hewlett Foundation
March 2015

This analysis looks at foundation giving for philanthropy specific infrastructure organizations and networks as well as nonprofit infrastructure groups. It is based on the Foundation Center's grants sample, which includes grants of $10,000 or more awarded to over 1,000 of the country's larger foundations for the period: 2004-2012.

Key Findings

- Grant funding for the sector's infrastructure is a small portion of all giving – a little more than half of one percent (0.6%).

- 59 percent of grant dollars goes to nonprofit infrastructure; while 41 percent goes to philanthropic-specific organizations.

- Grant funding for infrastructure has grown over the past ten years, but at a slower rate than overall grantmaking. Inflation-adjusted funding for infrastructure grew 8 percent for the period 2004-2012, compared to an increase in overall grantmaking of 14 percent.

- Support for philanthropic and nonprofit infrastructure is highly-concentrated among funders with 32 percent of all grant dollars attributable to the Ford, Kellogg, Gates, Mott and Hewlett foundations.

- Five nonprofit and philanthropic infrastructure organizations and networks received 32 percent of all infrastructure grants: Foundation Center, Independent Sector, Council on Foundations, Rockefeller Philanthropy Advisors, and Hispanics in Philanthropy.

- From 2004 to 2012, funding for philanthropic infrastructure organizations grew an average of 79 percent while other nonprofit infrastructure organizations grew much more modestly, an average of 9 percent.

- Funding for nonprofit and philanthropic information services organizations (e.g., the Foundation Center) grew by 167 percent from 2004 to 2012, while funding for academic/research centers declined by 54 percent.

The full report can be found at the following link:
http://foundationcenter.org/gainknowledge/research/pdf/foundation_giving_nonprofit_philanthropic_infrastructure.pdf

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