



Grantmakers Institute 2016

Forefr^{Ont}

Grantmakers Institute 2016

The Craft of Grantmaking

9:00am - 3:00pm

Day Two – February 25, 2016



Agenda

9:00 Understanding Nonprofits
 Marianne Philbin

10:00 Your Role/Navigating Key Relationships
 K. Sujata and Frank Baiocchi

11:00 Preparing for Site Visits
 Peter Handler and Mae Hong

LUNCH: Table Discussions with Faculty

1:00 Stewardship / Evaluation
 Susie Quern Pratt

2:00 Ethics and Accountability
 Marianne Philbin



Process, Plus

A great deal on process and practice in the ‘virtual notebook’ . . .

Today, we want to reflect on that process, share personal experiences as grantmakers

What We Add to the Process of Grantmaking. . .

“ . . .is who we are as human beings.
That is the art that we bring to the
science of grantmaking.”

-- Mae Hong, Rockefeller Philanthropy Advisors

What are Foundations Limited by?

Limitations: Circle what relates most to your foundation. Anything you would add to this list?

See handout, page 9.

Time is also a limitation...

Results unlikely to be immediate.

IMPACT =
Multiple outcomes **OVER TIME**

Usually takes years. . .

Understanding Nonprofits. . .

Your Experience

How many have...

- Held position at a nonprofit?
- Had to “raise your own salary?”
- Served on a nonprofit board?
- Personally given more than \$100 to a charity? More than \$500? \$1,000?
- Visited, attended, used, or benefited from nonprofit program or services?

Nonprofit Realities

- Increasing complexity -- but often “strongly led but under-managed”
- Increasing demand for services (and consumers with “for-profit” standards) while resources are limited
- Scrutiny/accountability
- Evaluation (and funders wanting dramatic results)

Factors Working Against Nonprofit Effectiveness

- Dependency on voluntary contributions
- Growth in sector/number of agencies
- Staff turnover/compensation levels/lack of investment in ongoing staff development
- **Limited sources for general operating support**
- Board members don't always understand nonprofit structures/culture/finances
- **Persistent myths about nonprofits**

Assumptions

The myths and stereotypes that remain prevalent can affect nonprofit perceptions of themselves, and funder perception of nonprofits-- and therefore grant decisions!

What are some examples of what you've heard, or think that people tend to believe about nonprofit organizations?

See handout, page 10.

**\$120
person**

**Businesses spend
at least four times
as much per person
on leadership
development as
nonprofits.**

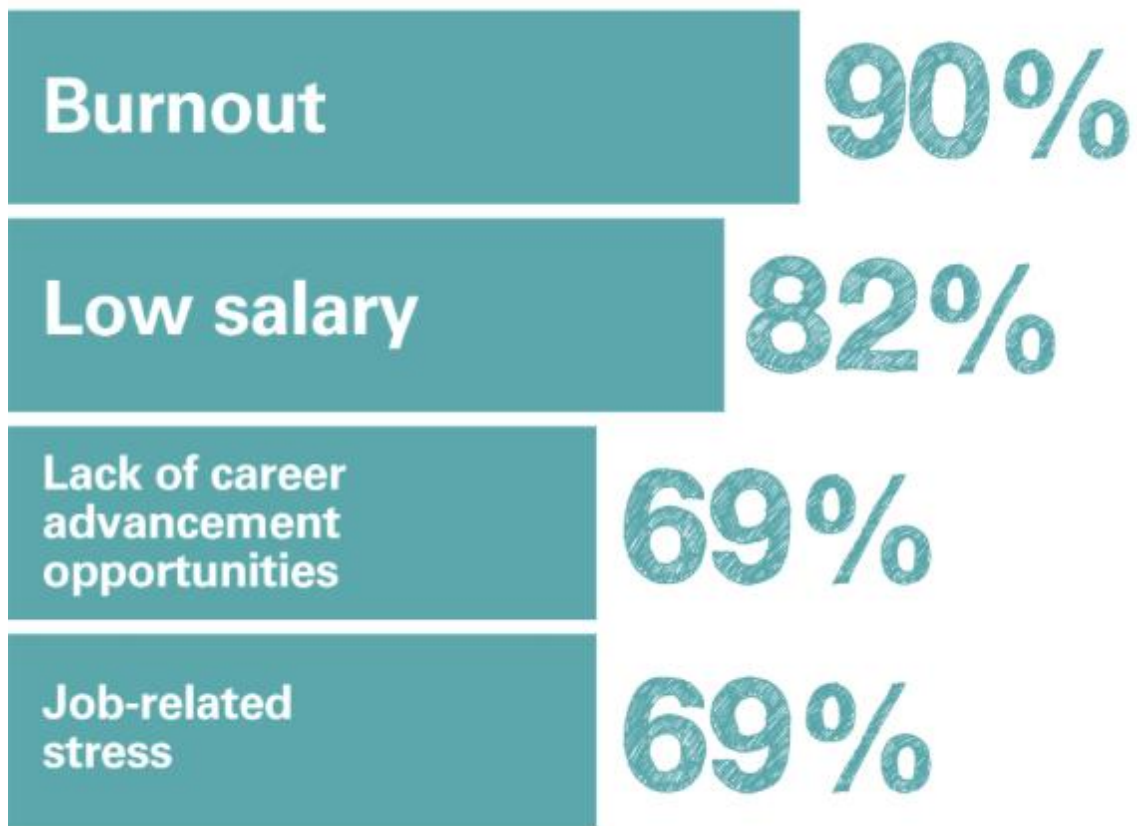
**\$29
person**

Businesses

Nonprofits

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Engaging for impact

Laura Callanan, Laura Gardner, Lenny Mendonca, and
Doug Scott, "What Social-Sector Leaders Need to Succeed."
McKinsey & Company, November 2014 (page 5)



Top reasons cited by emerging nonprofit leaders for why they might leave the sector



Josh Solomon and Yarrow Sandahl, "Stepping Up or Stepping Out: A Report on the Readiness of Next Generation Nonprofit Leaders." Young Nonprofit Professionals Network.

Keep in Mind the Real COSTS Involved

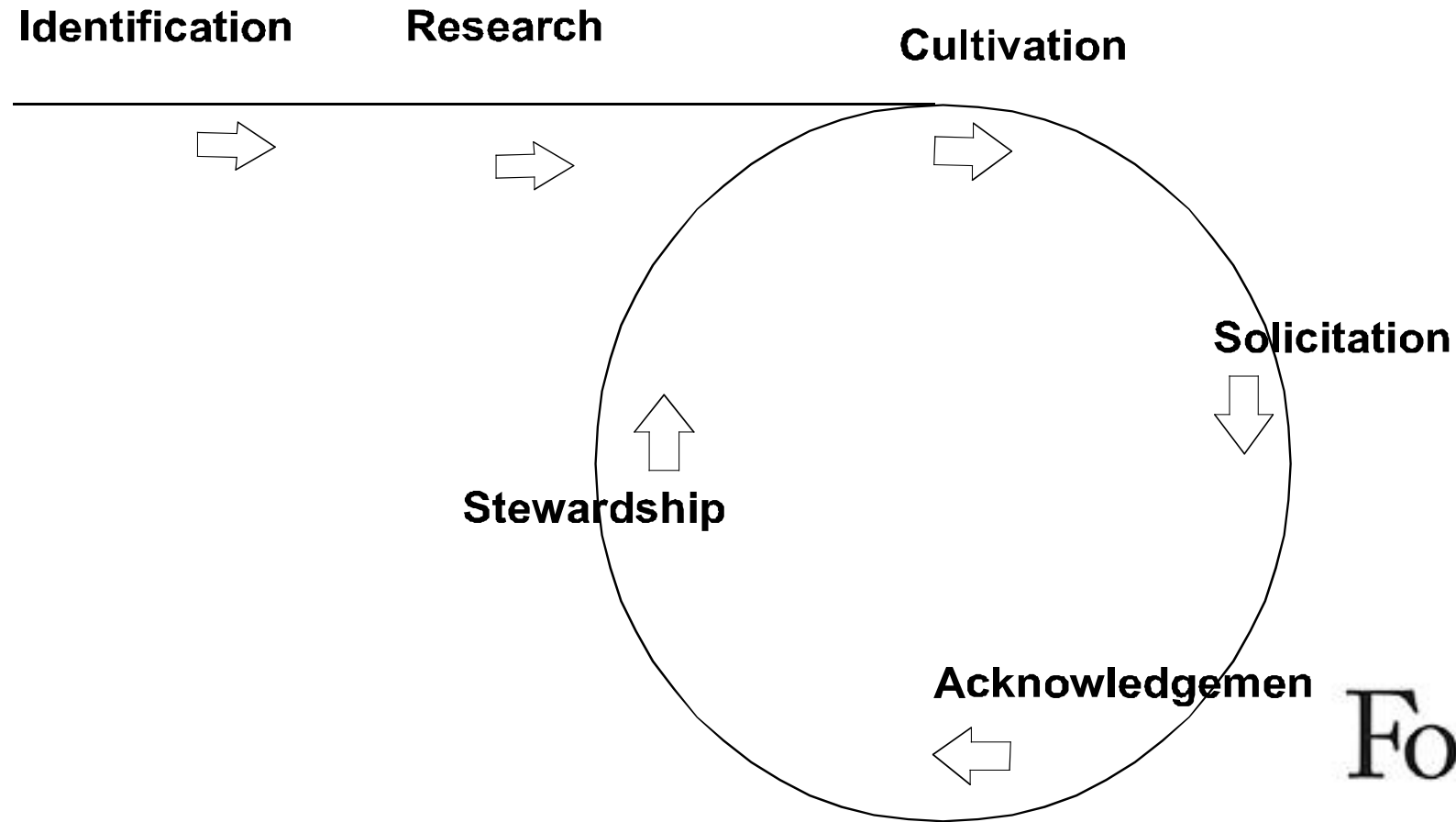
- Funder resistance to overhead contributes to 'starvation cycle'
- Unrealistic notions persist about what it costs to run a nonprofit
- **“Donors expect grantees to do more and more with less and less; organizations become starved for the resources necessary to deliver results.”**

See handout, page 11.

Keep in Mind the Real TIME Involved

- “Why don’t they just. . .” syndrome
- The time everything takes when you’re dependent (to varying degrees) on volunteers and donations
- Getting donors -- 4:1 rule + staff support
- Cultivation arc -- 12-18 months

Time: Cycle of Donor Relations



Healthy Growth

- Effectiveness doesn't automatically come with a charismatic leader and a brilliant idea. . .
- Comes from a conscious focus on developing effective practices and policies, the intent to manage well.
- Tending to the *organization*, not just program.
- General operating support creates the capacity to deliver program.

Characteristics of Less/More Effective Organizations

What we've learned over time...

See handout, page 12.

What's Appropriate?

Industry standards suggest:

- ✓ 60-70% on program
- ✓ 20-25% on fundraising
- ✓ 15-20% on infrastructure/operations

When Financial Best Practices Present

1. Engaged and informed board and staff leadership
2. Accurate and timely financial information
3. Budget projections are realistic and defensible
4. Strategic plan includes short and long-term financial flexibility and goals
5. Board members can tell you what the budget is

Minimum to Know:

	Current Yr Actual	Prior Yr Actual	PPY Actual
Rev			
Exp			
Surplus (deficit)			
Net Assets			

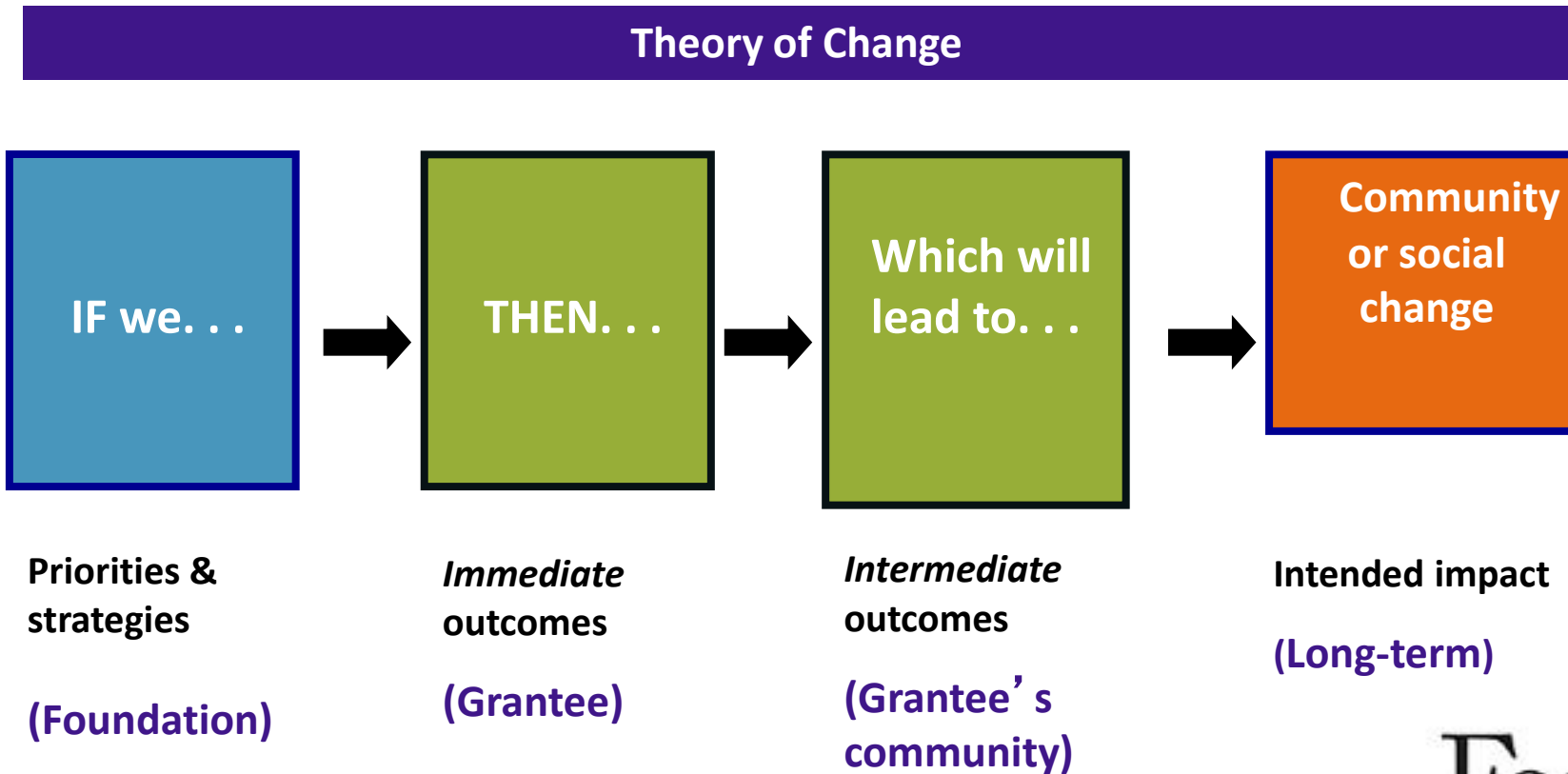
How Do We Make an Impact?

Foundations increasingly thoughtful about...

- What impact do we want to make?
- Are we making it?
- How do we know?

See handout, page 14.

What Beliefs Guide Your Foundation?



Reflections on Grantmaking

Your Role and Navigating Key Relationships

Frank Baiocchi, Senior Program Officer,
Polk Bros. Foundation

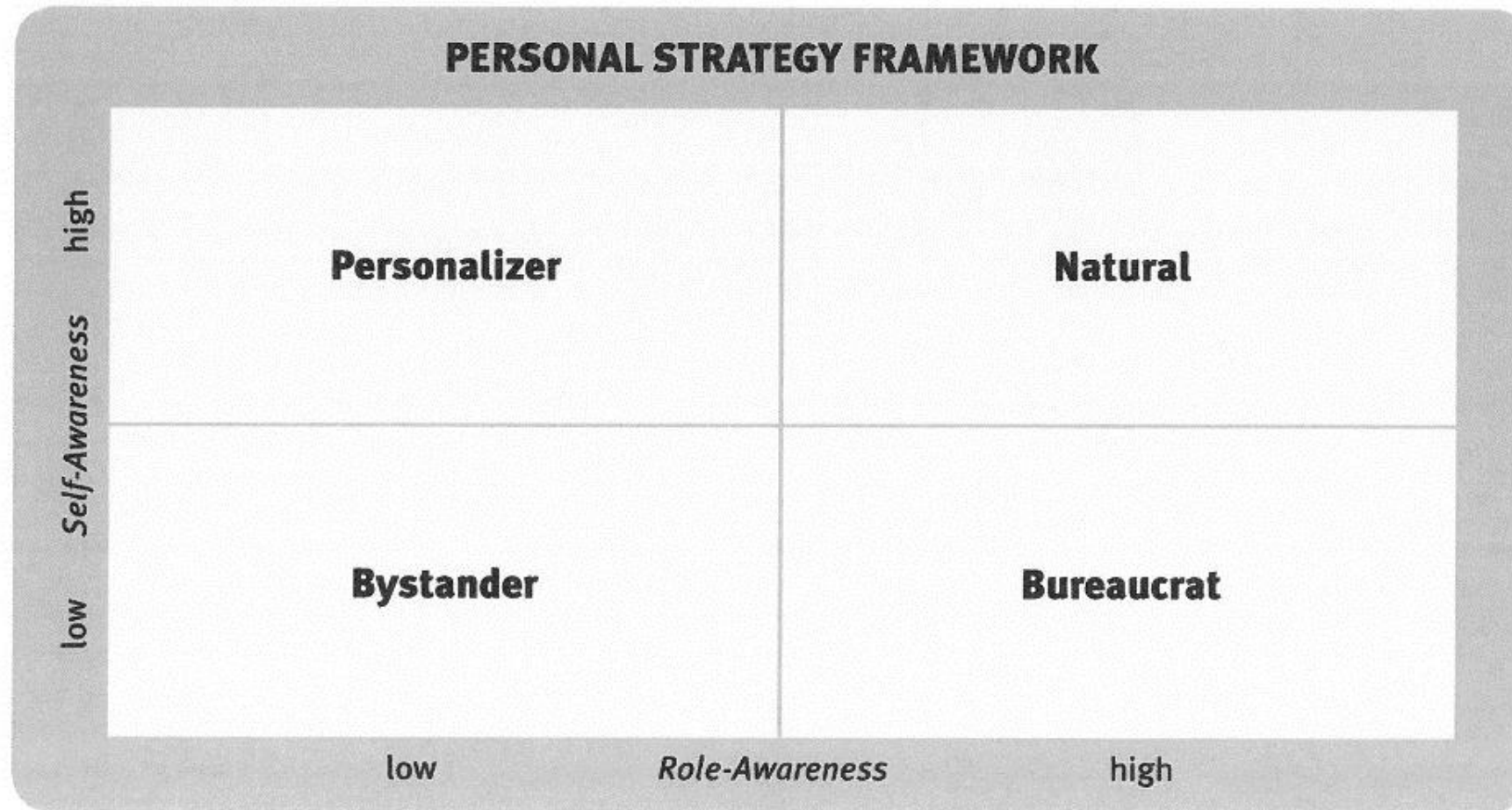
K. Sujata, Executive Director,
Chicago Foundation for Women

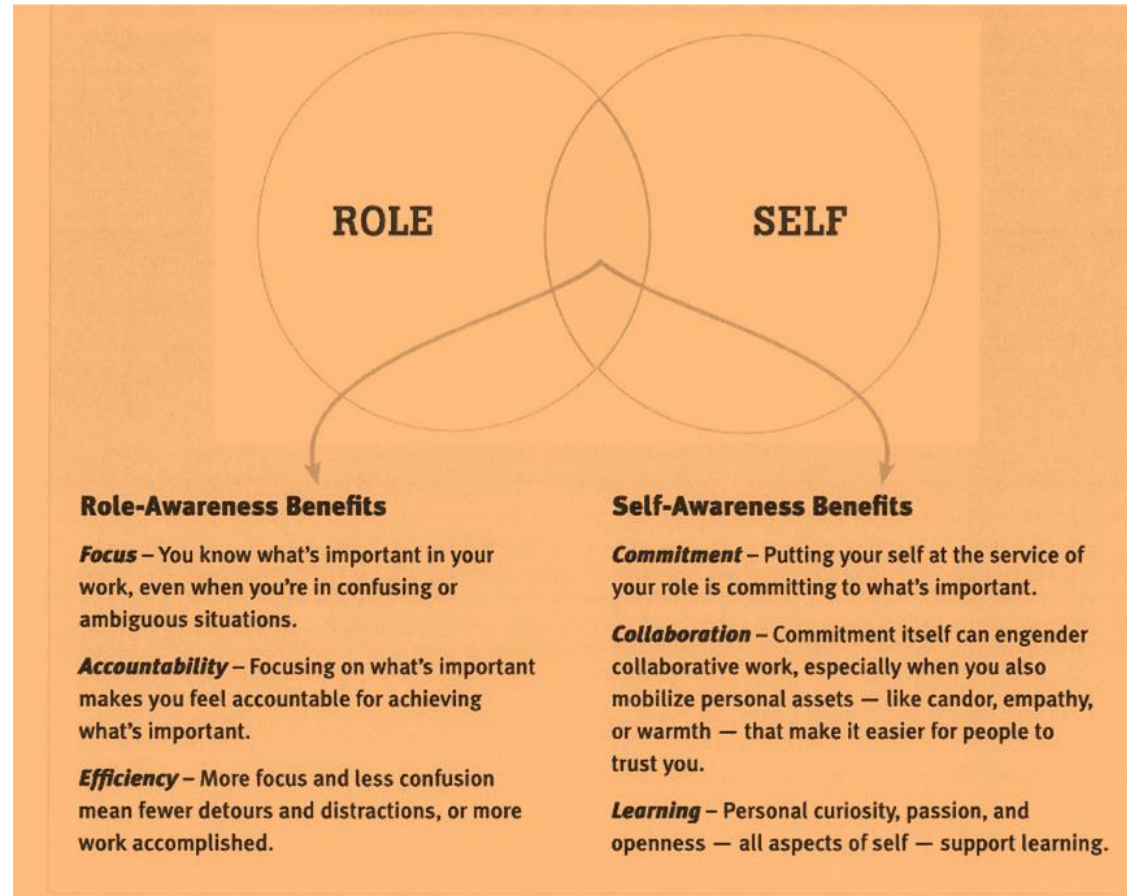
Your Role

Frank Baiocchi

- Your work begins with understanding of your foundation or giving program's particular purpose
- The same job title can be understood very differently at different foundations or companies







Quick Exercise

Jot down one reason your foundation values you:

“My boss counts on me to...”

(volunteers please share)

Important to Understand Self

- Who am I?
- What motivates me to do the work I do?
- What are my strengths/weaknesses?
- What am I passionate about?
- How do I feel about wealth holders?
- How do I feel about grantees?
- What do I think is 'baloney?'
(What do I perhaps not feel as strongly about as my giving program or foundation does?)

In Other Words...

You bring who you are to the job, of course, but,

It is not your money, or always your personal values or preferences, or your politics, that determine what grants get made, or a foundation's emphasis.

Which can be difficult!

But ALSO Need to Understand Your Role

- Who do I represent?
- What motivates me to work *here*?
- How do I feel about *these* values/mission/donors?
- What is the foundation passionate about?
- What does the foundation think is ‘baloney?’
(And how do I feel about that?)

Program Officers

Although foundations are all different, there are some similarities in the responsibilities program officers share

See handout, page 15.

Roles Foundations Play

- Where does your foundation want you active?
- What roles does it play? Circle on these 2 pages

See handout, page 16 and 17.

Reflections

- A few things we've learned over the years about the role of a program officer. . .

Navigating Relationships

K. Sujata, Executive Director, Chicago Foundation for Women

- Requires constantly interpreting and applying your foundation's vision to all aspects of your work

Philanthropic 'Traditions'

The Tradition of Relief:

Give people fish

The Tradition of Improvement:

Teach them to fish

The Tradition of Social Change:

Make sure there are fish in the pond

The Tradition of Civic Engagement:

Ask if they even like or need fish

Challenges

Managing relationships when. . .

- Power differential
- Intermediaries
- Definitions of “success” may vary

What have you experienced?

Basic Grant Cycle

How you navigate each of these steps depends on your foundation's identity -- and there are important relationships at each stage

See handout, page 19.

Relationships

What are some of the relationships that come into play at each step of the grant cycle?

Potential Challenges

Ethics issues often begin in relationships

See handout, page 20.

Reflections

A few things we've learned over the years
about “navigating the waters...”

Preparing for and Conducting Site Visits

Peter Handler

Executive Director, Reva & David Logan Foundation

Mae Hong

Vice President, Rockefeller Philanthropy Advisors



Basic Grant Cycle

Grant Cycle Steps outlined in your packet; strategies at each stage, but at past Institutes, participants most interested in questions related to preparing for and conducting and making best use of site visits

Basic Grant Cycle

Steps One - Three

1. Review of community needs, your foundations priorities, and your grantmaking budgets
2. Outreach, communications: promoting guidelines
3. Proposal solicitation: getting the “right” applications

Basic Grant Cycle

Step Four

Proposal review and assessment

- How to “read” a proposal
- Review financials
- Site visits

Reading Proposals

- What is the practice at your foundation?
- Tips from colleagues

We'll talk more in small groups over lunch

AND – new session coming up on how to read for what you know your board will ask !

Why should foundations conduct financial review?

- Due diligence
- Understand variances -- budget vs actual
- Gain understanding of organization's capacity and management practices
- Sometimes, structure grant conditions
- Determine if request amount is appropriate
 - Why this amount?
 - Why us?
 - Why now?

Site Visits

- What is the practice at your foundation?
- Tips from colleagues

Basic Grant Cycle Steps Five and Six

- Arriving at recommendations, presenting to board
- Communicating board decisions and/or declines to applicant

LUNCH

Peer Exchange

Your Grantmaking Questions, Concerns, and Experience

We'll break into small groups for open discussion
facilitated by presenters



Stewardship & Evaluation

Susie Quern Pratt
Pratt Richards Group

Grantmakers Institute, Day Two – February 25, 2015



Climate around evaluation at your place of work

- How many feel their giving program could stand to look a little MORE at evaluation?
- Could stand to focus on it a little LESS?
- Are about where feels right?

The Challenge

“Philanthropy is a ‘tougher game’ than business. In philanthropy, the most important problems are those which have already resisted both intellect and money. It is easy to tell if you are succeeding in business -- you make money; in philanthropy measuring performance can be fiendishly tricky and take a lot longer.”

-- Warren Buffett, “The New Powers In Giving”
The Economist, June 29, 2006



Understanding Impact

- Tracking work of individual grantee organizations

AND

- Capturing the impact of your own grantmaking

IMPACT = multiple outcomes over time

Definition of Evaluation

Evaluation is the systematic process of asking questions, and then collecting and using data to help answer those questions in order to improve the work of your foundation, and often to tell the story of change.

Shift Your Thinking

...from 'judge' to 'learn'

...from 'prove' to 'improve'

Theory of Change - Definitions

“the causal chain that links your [programmatic] interventions to the goals you want to achieve.”

-- *Money Well Spent*, Brest and Harvey 2008

“(it) reflects an organization’s belief about how impact happens.”

-- The Bridgespan Group

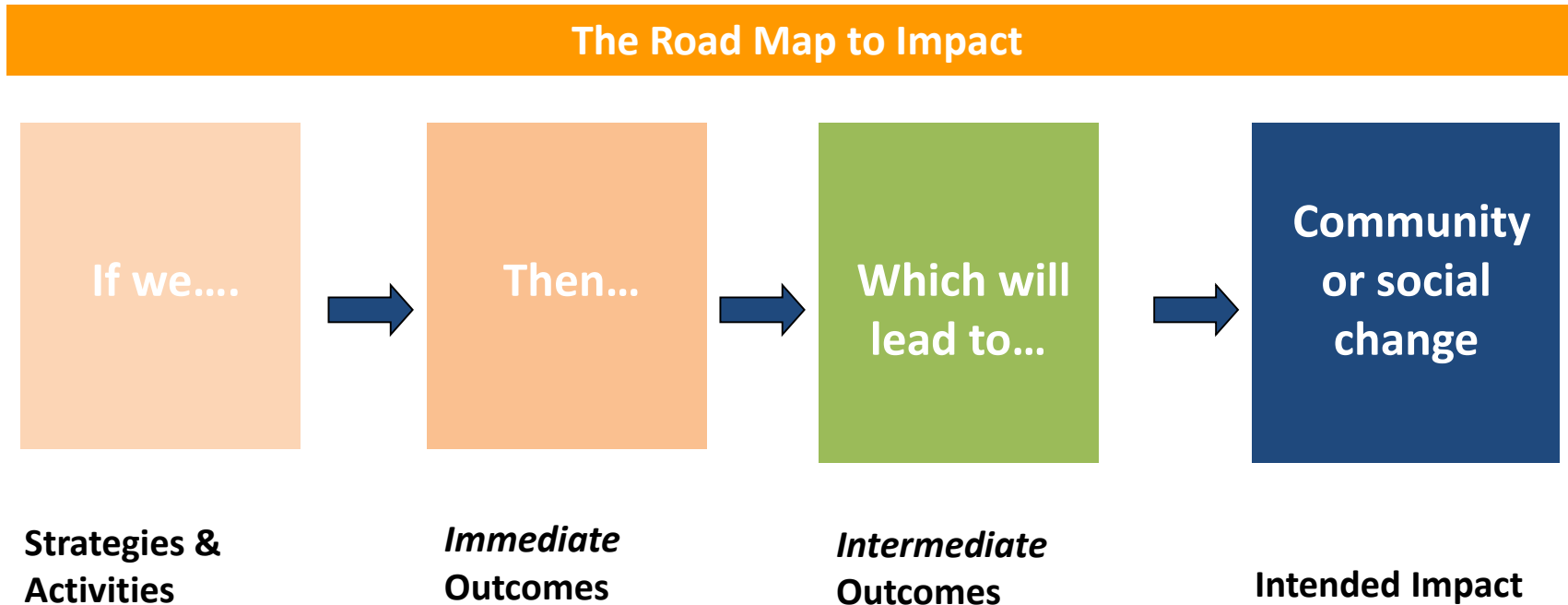
The Beauty of this Model

- A tool for both strategic planning and evaluation
- Highlights what you can realistically accomplish and claim credit for
- Raises questions of strategic alignment
- Helps organizations learn and improve

Theory of Change Process

Richards Group

Pratt



Think Backwards!

- Start with your *Impact* (what you hope for: think about your mission/vision statements)
- Ask “What needs to happen before that can happen?”
(*Your outcomes*)
- Then ask “What do you need to do at your organization to make these outcomes happen?”
(*Your strategies & activities*)

Caution!

Exercise caution in holding programs overly accountable for producing large and significant changes in the issues they address.

Beware of outsize expectations

“A comprehensive evaluation of a youth media program could examine not only youth development outcomes, but also media quality, and the program’s impact on audiences and the broader society.”

-- Stuart Foundation/Evaluating Youth Media Organizations

Reasonable scale

“Most of the time, what funders and nonprofits really want to know is if an intervention can have positive outcomes given the right conditions, and if the results are worth the investment--- and they only need to know this ‘beyond a reasonable doubt.’ ”

To make monitoring and evaluation easier..

Consider asking the grantee in advance to:

- Define for you the specific outcome the grant will help to achieve
- Summarize how they'll know they are making progress
- Describe how that outcome contributes to long-term impact ultimately aimed for

Focusing your Theory of Change



Ongoing Challenges

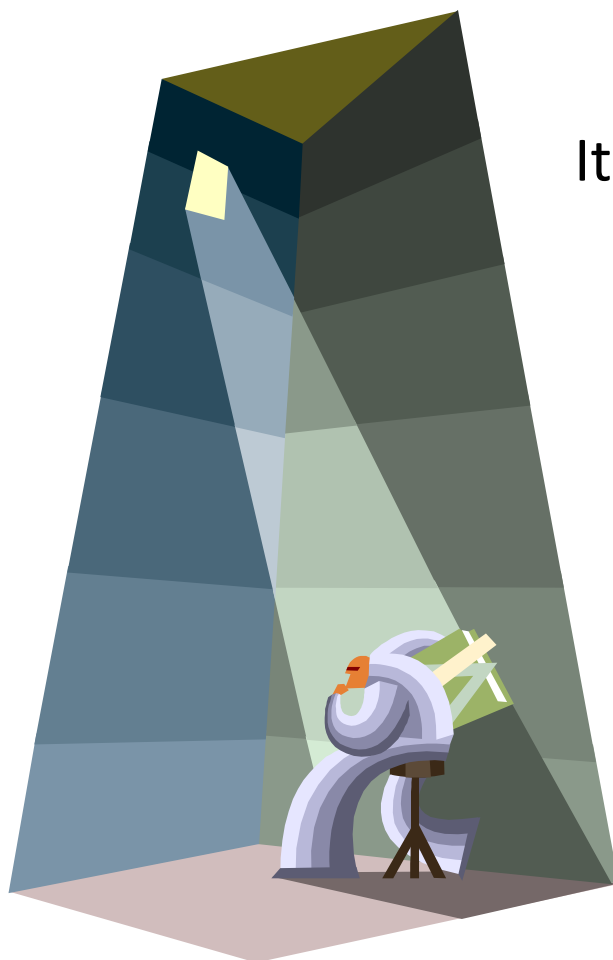
Ethics and Accountability

Marianne Philbin
Executive Director, Pierce Family Foundation

Adapted from presentation created by
Robert N. Mayer, Ph.D., Rothschild Foundation



Ethical Lapses



It's just a for-profit and corporate issue

Indictments

WorldCom

Enron

Arthur Andersen

Adelphia Communications

Tyco International

Imclone Systems

Madoff Investments

The Boston Globe's **foundation investigation**

- Foundation pays \$200,000 for trustee's daughter's wedding
- Trustee fees topping \$1 million
- Foundation spends \$2.8 million in order to grant \$1.8 million
- Trustees earn commissions of over \$2 million on foundation investments
- Trustee and spouse reimbursed for first class travel

Madoff Scandal: Was it Preventable?

Foundations invested with Madoff Securities: 143

Foundations invested with Madoff Securities who are members of the Council on Foundations: 1

Your Professional Community

- Professional community provides protection but can also present dilemmas. . .
- What are some potential ethical questions that might arise for program officers in the course of doing their work in this community?

Stewardship Principles: Standards & Effective Practices

Your searchable online library of best practices and sample documents.

Community Foundations

These resources are designed to help community foundations understand and comply with the National Standards for U.S. Community Foundations.

[Enter](#)

Corporate Grantmakers

These principles and practice options will help corporate grantmakers with their governance, management and grantmaking practices.

[Enter](#)

Family Foundations

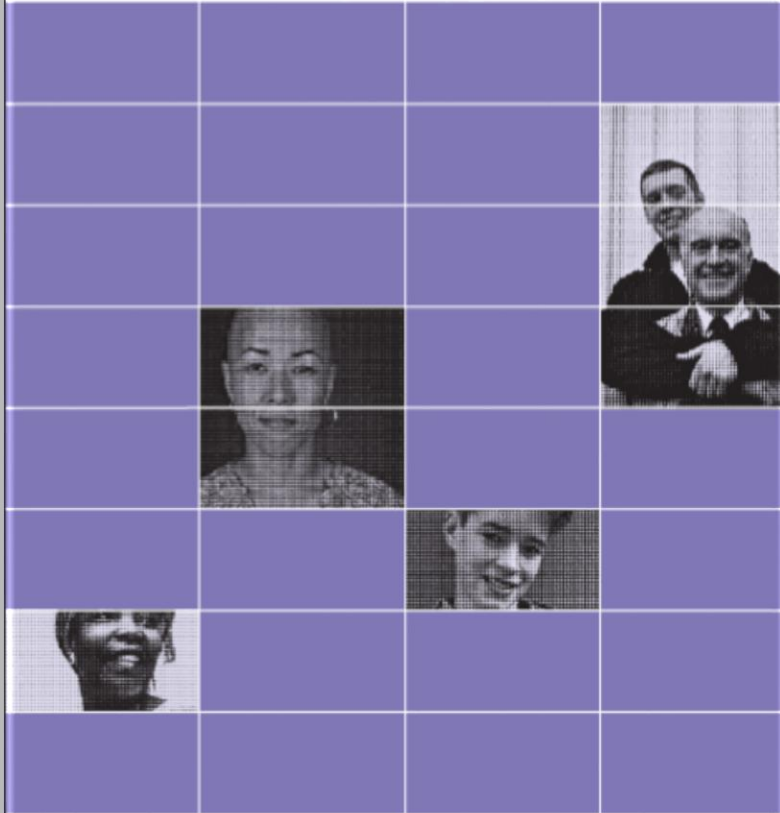
Principles, Practice Options, Sample Documents and Resources for Family Foundation Governance, Ethics and Legacy issues.

 COUNCIL on FOUNDATIONS

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Illinois Nonprofit Principles and Best Practices

Preserving the Public Trust Initiative
Updated in 2008



Donors Forum

Strengthening Illinois philanthropy and the nonprofit community

Forefront's *Illinois Nonprofit Principles and Best Practices*

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COF's Top Ten Ways Foundations Get into Trouble

- Self-dealing
- Personal pledges
- Fundraisers
- Hiring relatives
- Board compensation
- Expenses
- Grants to individuals
- Grants to non-charities
- Fiscal agents
- International grants

What Would You Do?

Let's review some of the questions or challenges raised by colleagues today. . .

Other Examples: Issue 1

You are a new program officer and your sister is the owner of Tasty Catering Services. Your foundation needs to have an event catered.

You offer your sister to cater the event at the going rate, minus a 10% discount.

Other Examples: Issue 2

Nancy, a board member of your foundation, is recommending a grant to a college where her daughter has just applied for admission.

Giving grants to colleges fits in your foundation guidelines.

Other Examples: Issue 3

Another grantmaker knows you have made a grant to Block Gentrification of Lower Wacker Drive. Their program officer calls to say that there is a similar grant pending with them and wonders if you think they should provide the support requested.

Should you give your candid opinion?

Other Examples: Issue 4

A grantee, Theatre of the Clearly Obscure, has given the foundation tickets to its new production.

You want to go and take your partner.

Best Ways to Avoid Conflict

- Be transparent/talk about it
- Make sure there are written policies in place to guide your behavior as staff
- Discuss specific concerns as appropriate with supervisor
- Encourage and support a “culture” of ethics in your workplace

What About Perceived Grantee Ethics Lapses?

- How should a program officer interpret what he or she sees or hears?
- How should a program officer respond when ethics issue seems to exist?



ETHICS RESOURCE CENTER'S
NATIONAL NONPROFIT ETHICS SURVEYSM

AN INSIDE VIEW OF NONPROFIT SECTOR ETHICS

2007

Fourth in a longitudinal study of U.S. workplaces

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Frequency of Observed Misconduct

Conflicts of Interest Is the Most Observed Misconduct in Nonprofits in 2007



© 2008 Ethics Resource Center

Impact of Ethical Lapses and Conflicts of Interest

- Loss of public confidence
- Reduced financial support
- Staff/board departures
- Increased regulatory oversight
- Less effective grants

Increased Oversight: Form 990 Revisions

Describe all business transactions with current or former officers, directors, trustees, key employees, or members of their family.

Report whether there are written conflict of interest and whistleblower policies.

Describe the process for determining compensation for top management, officers, or key employees.

List all compensation, loans, grants, or other assistance received by current or former officers, directors, trustees, or key employees during the year.

Resources

- Forefront www.myforefront.org
- Council on Foundations www.cof.org
- Independent Sector www.independentsector.org
- Exponent Philanthropy www.exponentphilanthropy.org



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