

What is Stakeholder Engagement?

Many grantmakers are recognizing that in order to ensure better results, we need to tap into the knowledge, experience and energy of key stakeholders — grantees, community members, other funders, thought leaders. This type of engagement means reaching beyond the usual suspects, deep listening and involving key players in philanthropic decision making. Doing so provides a better understanding of the challenges on the ground, increases buy-in and improves strategies.

Funders are increasingly realizing that much of the knowledge and experience we need to solve problems resides in the communities we serve. This is in keeping with an important core value that has long been held by many in the nonprofit sector — people need to play an active role in addressing the issues that affect their lives.

Although many grantmakers are making significant changes in practice to work in genuine partnership with grantees and community partners, the perception persists today that funders operate in ways that exclude, rather than engage, key stakeholders. This lack of engagement on the part of funders is due in part to a lack of knowledge about who our stakeholders are, how our work can benefit from engaging them and what stakeholder engagement means in practice.

What is Stakeholder Engagement in Philanthropy?

Stakeholder engagement is the art and science of becoming more connected as a grantmaker. It is based on the belief that those closest to a problem have important insights that will help shape solutions. In practice, stakeholder engagement means the following:

For more on this topic, see [*Do Nothing About Me Without Me*](#), by J. Courtney Bourns (Washington, D.C.: Grantmakers for Effective Organizations and Interaction Institute for Social Change, 2010).

- **Reaching beyond the usual suspects for information and ideas.** Grantmakers often turn to technical experts, academics, business leaders and paid consultants for advice. Including other stakeholders as well will yield better results.

Community residents, grantee leaders and staff, and others who are affected by grantmakers' decisions can provide a front-row take on the problems at the heart of our work and how to shape solutions.

- **Listening and applying new learning about how to strengthen grantmaking.** Grantmakers need to know whether our grantmaking and the way we do our work is helping nonprofits, communities and movements to succeed. The only way to know is to ask and listen, and then to make changes based on what we're hearing from grantees and others.
- **Involving a wider audience of individuals and organizations in philanthropic decision making.** Nothing says that grantmakers have to make grantmaking decisions on our own. In fact, many grantmakers are engaging "outsiders" in decision-making processes as a way to increase transparency and trust, and to ensure that grantmaking strategies reflect real-world priorities and needs.

Of course, stakeholder engagement does not mean reaching out to anyone and everyone. Rather, the focus is on those audiences that are most affected by our grantmaking and that can offer insights and information that will strengthen our work. GEO's research on this topic suggests there are two groups of stakeholders whom funders often overlook but whose input can contribute in a significant way to smarter grantmaking and better results. They are (1) nonprofit leaders (including leaders of grantee organizations and nonprofits that your organization does not fund); and (2) beneficiaries, local residents and grassroots leaders in the communities you serve.

Who Are a Grantmaker's Stakeholders?

- Internal stakeholders: The actions of your board and staff are crucial to the success of your grantmaking. To the extent that they are engaged and supportive of your work and mission, you will be more successful.
- Grantees: Grantees can help you learn how your philanthropy is or is not contributing to success at the organizational, movement or community level.
- Grantmaker peers: A frequent complaint about philanthropy is that grantmakers are constantly reinventing the wheel in their work with grantees. Engaging with other grantmakers helps ensure that you are sharing lessons learned and not repeating others' mistakes.
- Local community members: Ultimately, most grantmakers are looking to improve outcomes at the community level, whether the issue is poverty reduction or environmental cleanup. Engaging the people you intend to help or the representatives of the communities you serve is essential to learning how you're doing as a grantmaker.
- Thought leaders and experts: Academics and policy and other experts can provide important information and insights about what's happening in your priority funding areas, who's doing what, and what works. But their influence should not exceed that of the "real experts" whose lives and work are directly affected by grantmaker actions.

What Are the Benefits of Engaging Stakeholders?

Effective solutions require the engagement of those who are most affected by the problems a grantmaker is working to address. This engagement may take added time and effort, but by involving others in meaningful ways, a grantmaker can potentially save time and increase impact as a project or initiative moves forward. The following are among the key benefits that grantmakers can realize by engaging more directly with key players:

- ***Deeper understanding of problems.*** Grantmakers and nonprofit partners are working to address complex problems. There are no easy answers when it comes to reducing poverty, improving healthcare and education, or addressing other social issues. "These are hard problems to solve," said Marianne Hughes, former executive director of [Interaction Institute for Social Change](#), of the issues at the heart of many grantmaker missions.

"Involving multiple stakeholders isn't a 'nice-to-do' but a 'must-do' if you really want to get a handle on what's happening, what the toughest problems are, and how to be innovative in developing solutions," Hughes said.

- **Truer sense of grantee needs and challenges.** Grantmakers can learn a lot by listening more intently to our grantees, by creating opportunities for nonprofits to share their challenges and perspectives, and by ensuring that grantee voice guide our philanthropic work. The bottom line: It's hard to know what grantees truly need, and how to meet those needs more effectively, if we don't ask.
- **Improved strategy.** A 2009 study by the Center for Effective Philanthropy identified a clear link between foundation leaders being more strategic and higher levels of stakeholder engagement. According to the authors, "More strategic leaders are more externally oriented in their decision-making, looking outside of their foundations. When thinking about how to make decisions to achieve their goals, they look beyond the foundation's internal processes for budgeting or grantee selection. ... [They] seek input from grantees, stakeholders, beneficiaries, and consultants when developing their strategies."¹
- **Greater effectiveness.** GEO's research has found that foundations that have staff with nonprofit experience were significantly more likely to have "grantee-friendly" practices in place in areas ranging from soliciting grantee feedback to providing the types of support that will contribute most to grantee success. This is because people who have worked at nonprofits have a hard-earned sense of what these organizations need in order to succeed.
- **More accountability and transparency.** One of the main criticisms of organized philanthropy — from nonprofits, government and public activists — is that it remains a mysterious process. Grantmakers make key decisions behind closed doors, we don't communicate well about those decisions, and it's hard for outsiders to judge whether we are doing our work effectively.
- **Increased buy-in.** Just as a corporation seeks input from customers on new products in development, grantmakers need stakeholder input to find solutions most likely to take hold in the community. In the same way that a new product needs a loyal base of customers, the success or failure of any change agenda depends on a wide assortment of

¹ Andrea Brock, Phil Buchanan and Ellie Buteau, "Essentials of Foundation Strategy," The Center for Effective Philanthropy, 2009.

people and organizations, especially those who are engaged in this work on the front lines of their communities every day.

What Are the Risks of Not Engaging Stakeholders?

There are countless stories of grantmaking initiatives that have failed to deliver a promised result. When grantmakers dig deeper to determine what went wrong, we often arrive at a common explanation: Engagement matters. Perhaps the foundation didn't have the right people on board at the right time. Perhaps too much distrust among the individuals and organizations involved prevented the players from working toward a common cause. Perhaps the foundation already decided on a strategy before launching a series of community meetings to tell the community about the strategy. Perhaps the strategy was based too much on academic models and not on genuine input from people working on the ground. In GEO's 2011 survey of philanthropic practice, 38 percent of respondents attributed grantmaking failures to a lack of stakeholder engagement.

To What Extent Do Grantmakers Engage Stakeholders?

Although a growing number of grantmakers are involving stakeholders as a route to better results, GEO's research² shows that taking active steps in this direction still is not common practice in the field:

- A small proportion (44 percent) of grantmakers surveyed took even the most minimal step of soliciting feedback (anonymous or nonanonymous) from grantees through surveys, interviews or focus groups.
- Only 42 percent of grantmakers in the GEO survey said they seek advice from a grantee advisory committee about policies, priorities, practices or program areas.
- Only half of funders sought external input on foundation strategy (51 percent) or on grant proposals (49 percent) from representatives of recipient communities or grantees.
- Only 16 percent delegated funding decision-making power to representatives of recipient communities or grantees.

² J McCray, *Is Grantmaking Getting Smarter? A National Study of Philanthropic Practice*, (Washington, D.C.: GEO, 2011). Available at <http://bit.ly/2011fieldstudy>.

Conclusion

In order to reap the benefits of engaging stakeholders, grantmakers must get beyond barriers such as: our unwillingness to change status quo relationships with grantees and others; our reliance solely on experts for understanding the challenges facing grantees and under-involving communities when those on the ground have a valuable perspective to contribute; and our resistance to spending the necessary time and effort on fostering genuine relationships. Even though it's hard sometimes to contemplate creating opportunities for stakeholders to become more empowered and involved, programs that have broader support among grantees and communities will ultimately be more effective and produce better results.