

Is Grantmaking Getting Smarter?

A National Study of Philanthropic Practice

2017



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About GEO

Grantmakers for Effective Organizations exists to help grantmakers turn their desire to improve into real progress. That is the power of the GEO community. With more than 5,000 grantmakers across the globe, we work together to lift up the grantmaking practices that matter most to nonprofits and that truly improve philanthropy. There is no shortage of advice out there for grantmakers working to improve. There is also no shortage of hurdles to making change. Since 1997, GEO has provided opportunities for grantmakers to come together to share knowledge and inspire each other to act. GEO members find value in making strong connections to address mutual challenges and in navigating the same journey to improve. Working together, we have cut through the noise to identify the core smarter grantmaking approaches that enable transformational change. We have designed conferences focused on solving of-the-moment challenges, regular opportunities for peer learning, and publications that lift up best practices and examples from peers. As a result, GEO drives grantmakers' progress for more effective change.

Grantmakers for Effective Organizations exists to help grantmakers turn their desire to improve into real progress. That is the power of the GEO community.

Every three years, GEO conducts a study to help us understand how we are doing as a field, including trends over time as well as new areas of inquiry.

Executive summary

Through our research over the past 20 years, Grantmakers for Effective Organizations has identified a set of grantmaker practices that help nonprofits achieve better results. Every three years, GEO conducts a study to help us understand how we are doing as a field, including trends over time as well as new areas of inquiry.

Trends over time

This study provides longitudinal data on trends in grantmaker practice on:

- strengthening relationships,
- flexible, reliable funding,
- capacity building,
- learning and evaluation, and
- collaboration.

The following are key findings from the 2017 study, conducted in partnership with Harder+Company Community Research:

- Over the past decade, grantmakers have gotten better at building relationships between grantmakers and nonprofits, but with mixed news about our progress over the past three years.
- Grantmakers held steady on multiyear funding but lapsed in our commitment to general operating support.
- Grantmakers are increasingly funding capacity building, with a focus on leadership and strategy-related capacity, but often overlooking diversity, equity and inclusion.
- Most grantmakers evaluate but continue to use the information primarily for internal purposes. Evaluation is still mainly a one-way street for nonprofits. The flow of information primarily goes from nonprofits to grantmakers, but unfortunately it is still relatively rare for funders to share with nonprofits what we are learning.
- Grantmakers think it is important to collaborate with each other. We also think it is important that nonprofits collaborate, and the funding is starting to follow suit.



New findings

Our understanding of what it means to be a smarter grantmaker continues to evolve. In each version of the study, we ask new questions. Because a clear link exists between foundation culture and foundation practice, we took a closer look at the behaviors and habits that feed into the culture at our organizations. To understand how effective our institutions are, we also need to understand the link between equity and effectiveness and how to put that value into practice.

- Grantmakers recognize culture as important. Aspects of culture are working, but half of us do not think our current culture allows us to maximize our effectiveness.
- Grantmakers understand that equity is linked to their ability to achieve their work, but we are struggling to institutionalize it and put equity into practice.

Over time, we have made some headway as a field, but according to GEO's research, in important ways, many of our organizations are not supporting nonprofits and communities in ways that will enable real progress.



Introduction



J McCray
 Chief Operating Officer
 Grantmakers for Effective
 Organizations

We are a community that strives to get better because our communities depend on it.

Every three years, when GEO conducts its national study, it presents an opportunity to reflect on the state of our field. When we started this series in 2008, we were intentionally a bit provocative when we named it *Is Grantmaking Getting Smarter?* We use the results from this study to shine a light on ourselves and to take a frank look at how we are measuring up.

We are a community that strives to get better because our communities depend on it. Over the past decade, we have made some progress. We are listening harder to nonprofits and members of our communities. More of us are making capacity-building investments in the organizations we fund. We are also increasingly gathering information to learn from and evaluate our progress.

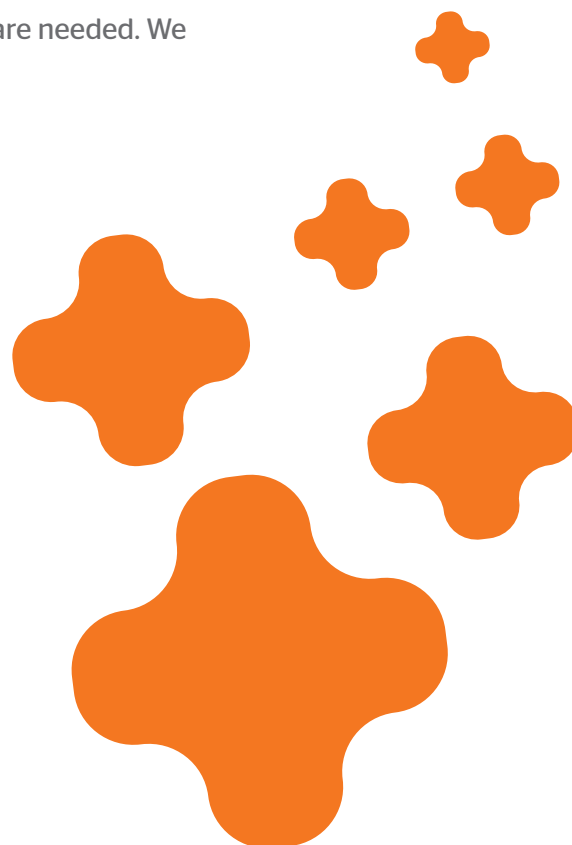
But are we changing in all the ways we need to so that we can reach our full potential? The unfiltered answer is no. As we look around at the world in which we, and the groups we fund, are doing our work, we see many ways in which we are still missing the mark.

Nonprofit leaders, who are no strangers to doing their work in the midst of complexity and uncertainty, face unprecedented challenges. Many nonprofits that provide direct social services are unsure about the future of the social safety net. At the same time, our civil rights are being threatened. Nonprofits working in communities that have experienced oppression and discrimination, including immigrants, LGBTQ populations and communities of color, are witnessing increasing tension over who belongs in this country and who does not. In our poorest rural regions, the complexity of challenges facing such communities has come to the forefront.

What nonprofits need most is for grantmakers to provide stable and flexible support. Nonprofits also need us to commit to using our power to help break down the causes of systemic inequity. As grantmakers, we have a choice. Will we continue with the status quo, or will we use this moment to take stock of how we are approaching our work and our relationships with nonprofits and the communities they serve?

What will it take to become smarter grantmakers? It starts from within. Since the last field survey in 2014, GEO has done a deep examination of what it takes to shift both culture and practice in grantmaking institutions. There is still work to be done; only about half the funders in our study believed that their institutional culture was where it needed to be to maximize effectiveness. One emerging aspect of change is our increased understanding that we need to become more equitable institutions, both in how we operate internally and in what we choose to fund. If we hope to achieve results as grantmakers, it is critical for us to look at our organizations and our work through an equity lens.

This is difficult work, and we are not alone. Stories from the GEO community, which we present throughout the report, show that real progress is possible. We will continue to support each other as we push to do better, and we will hold each other accountable as we make the changes that are needed. We look forward to tackling these challenges together.



What do we mean by “smarter grantmaking”?

The GEO community has worked together for nearly 20 years to cut through the noise and find clarity on which improvements actually make a difference for our grantees.

Strong nonprofits are indispensable to our success as grantmakers. The GEO community is united in this understanding and is constantly striving to help nonprofits grow stronger and achieve more. The GEO community has worked together for nearly 20 years to cut through the noise and find clarity on which improvements actually make a difference for our grantees. These are:

Strengthening relationships

When we build trust with and tap the knowledge of nonprofits and community members, we amplify each other’s strengths and arrive at better solutions. In order to build these relationships, we need to recognize how our power can create hesitation and tension in our partners – and own the responsibility of creating authentic connections.

Flexible, reliable funding

We are able to change our communities for the better when we find mission-aligned organizations and let them tell us what their greatest needs are. Long-term, unrestricted support is not only an indicator of trust; it helps nonprofits adapt to the changing conditions around them.

Capacity building

Capacity building is an investment in effectiveness and sustainability for organizations. Strong programs exist in strong organizations. The strongest nonprofits are adaptable and resilient, and capacity building allows nonprofits to build their skills and expertise to tackle important issues and achieve their mission.



Learning and evaluation

Continuous improvement is at the heart of effective evaluation. Collecting the right information – including both quantitative and qualitative data – we can learn from what’s working and what isn’t. Grantmakers are in a unique position to create conditions for learning in our organizations and in our communities.

Collaboration

Making progress on many of the intractable issues our communities face requires us to work together. We will only be successful if we work with others, follow more than we lead and put the needs of our communities ahead of our own. When we fit the right approach to the right situation, collaboration can be an effective tool to amplify results.



Are our organizations ready to enable smarter grantmaking?

The connection between organizational culture and smarter grantmaking

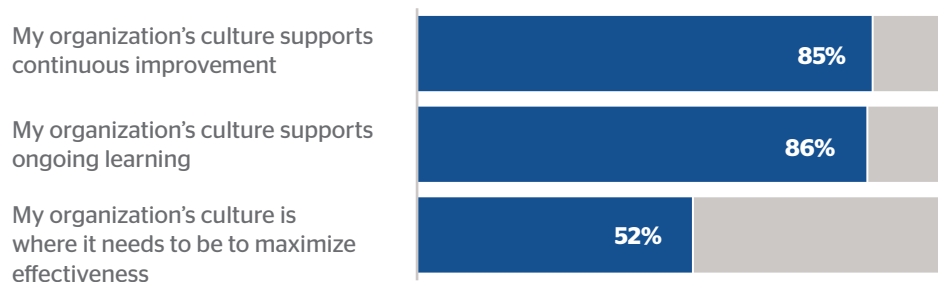
What prepares us to be smarter grantmakers? In our interviews with foundation leaders, staff, board members and nonprofits, people have shared that successful grantmaking, which supports grantees to achieve meaningful results, requires more than strategy or a plan for execution; it also requires an intentional focus on culture. We define culture as the collective behaviors and underlying assumptions of an organization. Over the past four years, we sought to better understand how organizational culture affects grantmaking through our *Leading Change in Philanthropy* initiative.

We discovered that successful grantmakers have some things in common. They have a culture grounded in collaboration, inclusion, humility, flexibility, responsiveness and transparency. They create the space for learning, and they are dogged in their efforts to bring on board talented people who understand the complex needs of nonprofits serving their communities.

A healthy, productive culture is the linchpin of a high-performing organization. Only about half of the funders who responded to our survey – primarily foundation leaders – thought that their culture was where it needed to be to maximize their effectiveness.

Only half of grantmakers believe their culture is maximizing their effectiveness

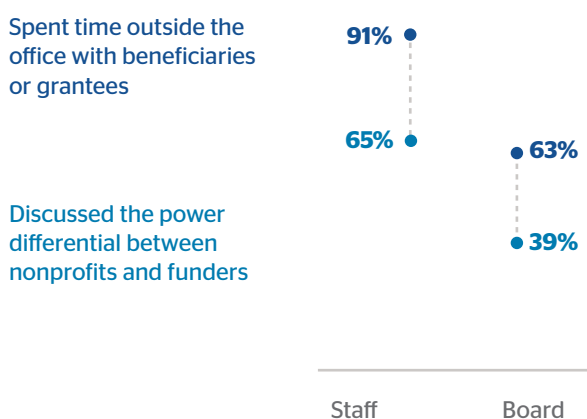
Even though most grantmakers believe their organization’s culture helps them learn and improve, only slightly more than half agree that it maximizes their effectiveness.



Funders responding agree or strongly agree

One measure of a strong organizational culture is how open the lines of communication are. The vast majority of us believe that we are communicating clearly with nonprofits. One of the ways we do this is for staff and board members to spend time in the community with nonprofits and other community leaders. As might be expected, staff members are more likely to spend time in the field than are board members.

Being out in the field isn't always prompting important conversations internally



Funders responding sometimes, often or always

Because grantmakers have the financial resources nonprofits so critically need, power dynamics are constantly at play in these interactions. When we do not handle them carefully, we miss out on hearing the real needs of nonprofits and the communities they serve. We also miss an opportunity to open ourselves to real solutions from the people who are closest to the problem. While being in the field is certainly important, spending time in the community is not a substitute for discussing the power differential between funders and nonprofits. When these conversations don't take place, it limits how effectively we can do our grantmaking.

Leaders at grantmaking organizations think some aspects of our cultures are working, while others are not. While we think our organizations support learning and improvement, when it comes to some important indicators of success, we are not as certain. For example, only 61 percent of us thought our culture enabled us to attract and retain talented people to work for our organization. This makes it quite difficult to build and maintain a strong culture.

Grantmaker Story



Janée Woods

Director of

Organizational Culture

William Caspar Graustein

Memorial Fund



“We are trying to build a multicultural, antiracist culture that reflects the mission we want to achieve as a foundation. Our mission deals very much with racism and poverty and there’s an understanding here that the board and staff need to develop new internal practices and build some muscle around these issues and find new ways of working together.

This means building a culture where all staff are valued and engaged deeply in everything we do. We also want to change the community perception of who we are as a foundation so we are seen as partners in achieving racial justice, and that’s making us think about how people on the outside see and interact with our culture.”

Putting equity into practice

Many grantmakers have identified diversity, equity and inclusion as essential or central to their mission. In other words, if we want to be successful at creating real change in our communities, we must become more equitable grantmaking organizations. However, while many of us recognize its importance to our work, most of us still struggle with how to put equity into practice.

In this study, we use the following definitions for diversity, equity and inclusion, as presented in the work of the D5 Coalition:¹

- Diversity (D) – bringing those with a unique perspective or life experience to the decision-making table
- Equity (E) – promoting justice, impartiality and fairness within the procedures and processes of institutions or systems as well as the distribution of resources
- Inclusion (I) – ensuring diverse individuals are able to participate fully in the decision-making processes of an organization

More than four in five grantmakers consider DEI in their work

However, only 14 percent say DEI is central to their work.

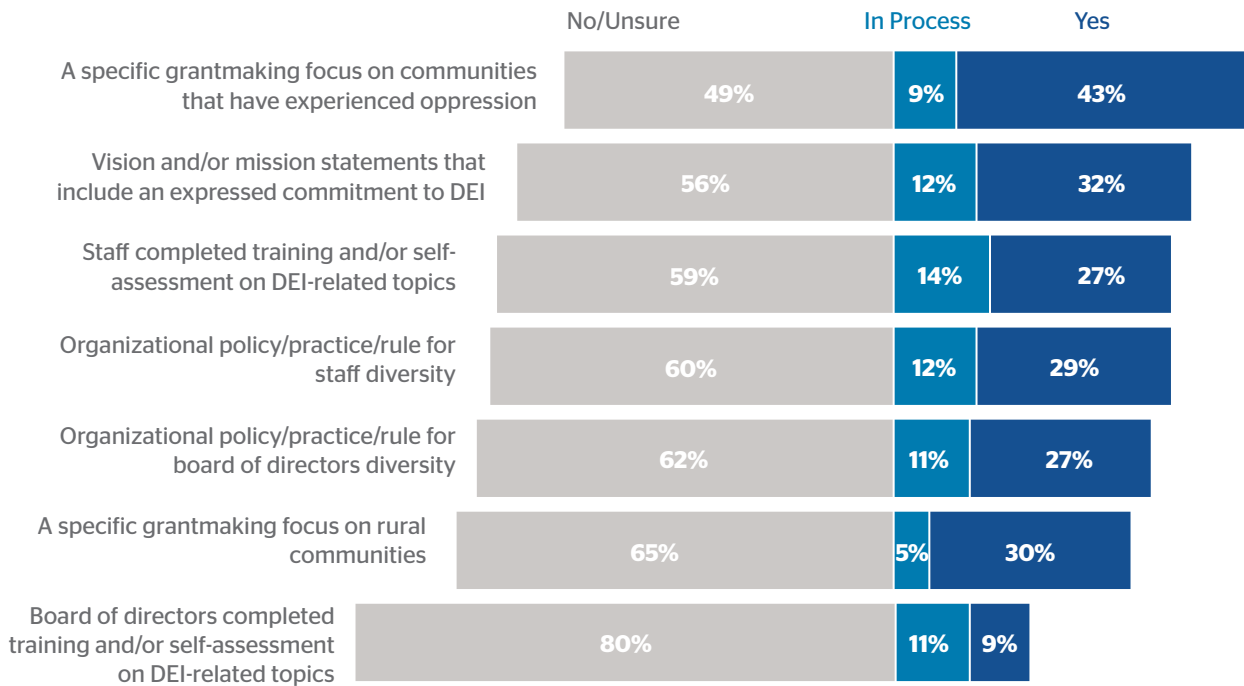


¹ D5 Coalition, "Take 5 for 5." Available at www.d5coalition.org/wp-content/uploads/2014/01/D5-Take5-Booklet.pdf.

How can we put our commitment to equity into practice? Research on equity in grantmaking has shown that it is important that we incorporate an equity strategy into the policies affecting internal operations and external affairs.² GEO’s research found that only about a third (36 percent) of us have changed our structures to better support our DEI values. Less than half of our organizations have done some kind of DEI self-assessment or training with our staff. This is rarer still among boards, with only one in five of us having completed a board self-assessment or training.

Most grantmakers still have not taken steps to institutionalize DEI

Grantmakers were asked which of the following practices/policies they have had in place in the last two years.

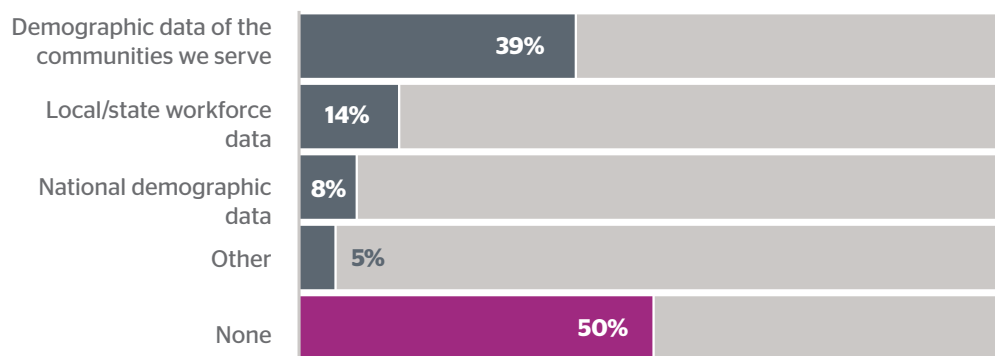


² GrantCraft, in partnership with Philanthropic Initiative for Racial Equity, “Grant Making with a Racial Equity Lens.” 2007. Available at <http://www.grantcraft.org/assets/content/resources/equity.pdf>.

A typical place to start is with a diversity policy. Research conducted by our colleagues at the D5 Coalition and the *Chronicle of Philanthropy* has shown that grantmaking staff and boards are lagging behind the population at large in terms of diversity.³ To understand whether our policies are working, we need to first decide how we are going to benchmark ourselves – for example, to the demographics of the communities we serve or to local or national workforce data. We found that it is still not the norm for staff and boards to have a policy in place, but even when we do, we are not typically benchmarking to available demographic data. This severely limits our ability to know whether we are making progress.

Most grantmakers with diversity policies do not benchmark against available demographic data

We are missing key opportunities to ensure that diversity policies lift up voices from the communities we serve.



About half of us have a grantmaking focus on communities that have experienced oppression or discrimination. When we fund in such communities, we use the traditional tools of programmatic and general operating support. However, it is less common for us to support community organizing or evaluation, both practices that allow organizations to widen their impact.

³ D5 Coalition, “State of the Work, Year 5: Stories from the Movement to Advance Diversity, Equity and Inclusion.” 2016. Available at <http://www.d5coalition.org/wp-content/uploads/2016/04/D5-SOTW-2016-Final-web-pages.pdf>.

Grantmaker Story



Hanh Le

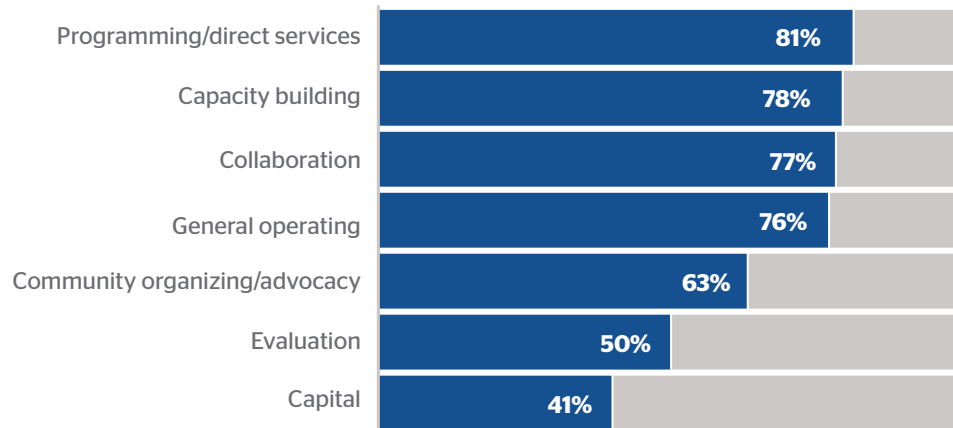
*Executive Director
Weissberg Foundation*

“We have a three-year capacity building initiative for D.C.-area theaters to build equity, diversity and inclusion on the stage, behind the stage, and in the audience. One of the things we ask grantees to do is to outline three-year equity, diversity and inclusion goals and benchmarks across governance, operations and programs.

As part of this process, we developed our own three-year EDI goals across those three dimensions. When we look at our operational goals around EDI, it’s really about how we build the cultural capacity of our existing staff through formal and informal learning opportunities. We’re working on continuing to make our board more representative of the communities that we’re seeking to serve. We’re also looking at how we hire and engage with vendors, consultants and contractors in a way that is inclusive and builds greater diversity.

In terms of our programming, we want to develop new grantmaking policies and procedures, like using more outside reviewers to represent the community and making some of our funds available via open applications so they’re not invite-only. Last but not least, we’re looking at how to do proactive outreach to communities and networks that we don’t already know or who don’t know us, so that we can reach new and different populations and communities doing the work.”

Few grantmakers are offering communities that have experienced oppression or discrimination the full suite of support that expands impact
Grantmakers are less likely to offer community organizing, evaluation or capital support for these communities.



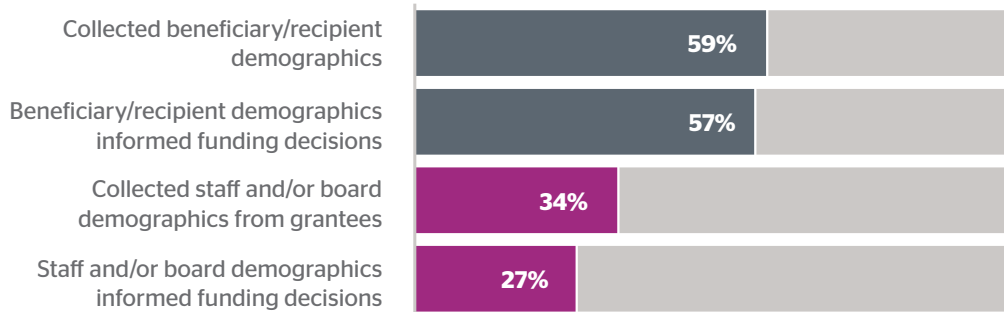
Funders responding sometimes, often or always

Public and private funders increasingly expect that nonprofits evaluate. If the sector experiences a significant funding shortage because of a recession or dramatic cuts in government funding to the social safety net, it will become even more important for organizations working in communities that have experienced oppression or discrimination to be prepared to demonstrate their impact. Without the funding to build such capabilities, organizations may be unable to meet these demands.

We are collecting data on diversity from grantees, but those data are mostly about the beneficiaries of the nonprofits' work. There is a lost opportunity here to understand whether organizations we are funding are led by people of color; such organizations traditionally do not have the same access to foundation funds as organizations led by their white counterparts.

The majority of organizations are missing key opportunities to learn about grantees

The majority of grantmakers are using beneficiary demographics to inform their funding decisions.



Funders responding sometimes, often or always

STATE OF THE SECTOR

- Foundation boards are more male and white than is the national population in the United States, according to the *Chronicle of Philanthropy*. Family and friend networks play a big role in who gets selected to serve on foundation boards.⁴
- D5 reports that the percentage of CEOs and program officers who are people of color has remained relatively flat over the past five years. Women are overrepresented at the program officer and senior executive level and at relative parity at the CEO level.⁵
- In a recent D5 survey of its stakeholders, about 70 percent of funders report that building organizational cultures that support diversity and inclusion is a “moderate” or “large” need.

⁴ Drew Lindsay and Rebecca Koenig, “Who’s at the Board Table?” *Chronicle of Philanthropy*, May 2017.

⁵ D5 cites the inconsistency of data as a problem: “Some forward thinking leaders in the tech sector – including major companies like Facebook, Google and Apple – have pledged to share demographic data. It is up to philanthropy to decide whether it will lead or allow the problem to continue.” D5 Coalition, “State of the Work.”

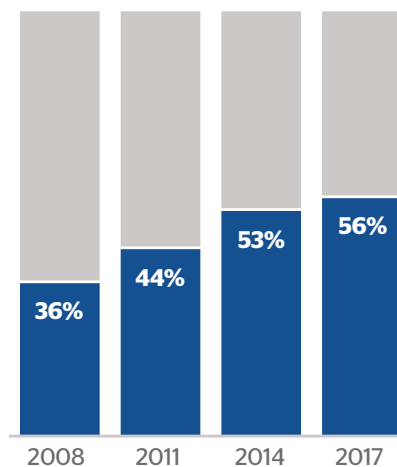
Strengthening relationships

If we are going to make progress on some of the most deeply entrenched problems in our society, we must directly confront the power dynamics between funders and nonprofits. This is the only way we can start to create strong, trusting relationships. Our research shows that funders with an ear to the ground are more likely to make investments (like capacity building and long-term support) that nonprofits need to be strong, adaptable and resilient.⁶

Seeking feedback from grantees is an area where we have seen steady progress. Feedback is a gift, and it is hard for us as grantmakers to get feedback that is honest and candid. The Center for Effective Philanthropy and Exponent Philanthropy are among the organizations that have created tools grantmakers can use to proactively seek out feedback. As a sign that nonprofits are looking for additional avenues to give us candid feedback, websites like Philamplify, Inside Philanthropy and GrantAdvisor provide a forum for nonprofits and other community members to express their experience working with grantmaking organizations.

But feedback alone is not enough. We should also be asking ourselves, Who has a seat at the table when we make important policy and strategy decisions for the foundation? Over the past nine years, we have seen progress on practices such as seeking feedback from grantee advisory committees and seeking input on foundation strategy from nonprofits and other community members. However, we saw a small dip in these practices over the past three years.

More of us than ever are soliciting feedback

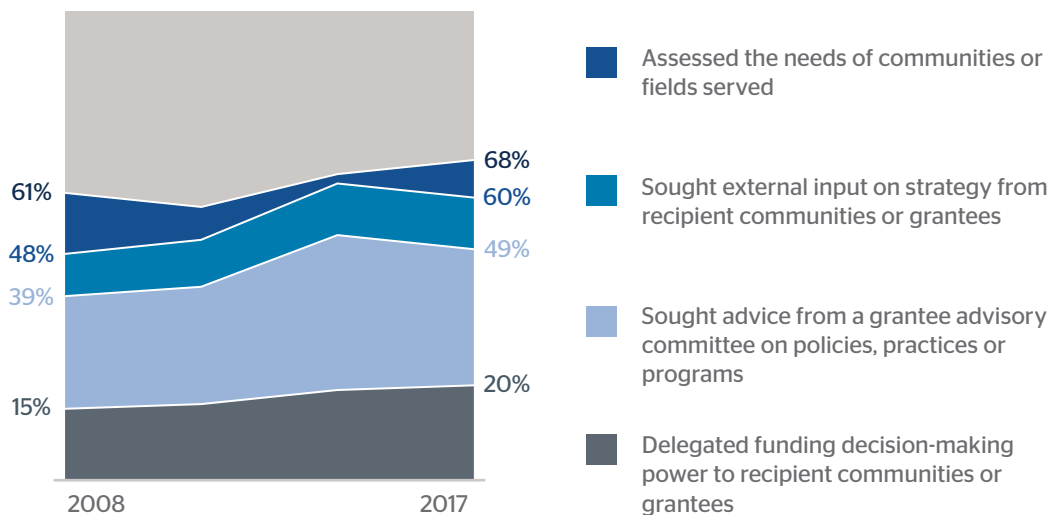


Funders responding sometimes, often or always solicit feedback

⁶ J McCray, "Is Grantmaking Getting Smarter?" Grantmakers for Effective Organizations, 2014.

We have slowed our progress in sharing power

Since 2014, fewer of us are seeking external input or using grantee advisory committees.



Because the strength of the nonprofit-funder relationship is so closely associated with the way grantmakers make decisions about their grantmaking practices, this is something to which we should continue to pay attention. While somewhat controversial, delegating decision-making for at least some grants to community leaders or nonprofits is one way in which 20 percent of grantmakers are sharing their power.

STATE OF THE SECTOR

CEP reports that the practices most often selected by foundation leaders as holding a lot of promise to increase the impact of foundations are seeking to learn from the experiences of those they are trying to help (69%) and from the knowledge or experiences of grantees (67%).⁷

⁷ Ellie Buteau, Naomi Orensten and Charis Loh, "The Future of Foundation Philanthropy," Center for Effective Philanthropy, 2016. Available at <http://research.cep.org/the-future-of-foundation-philanthropy>.



Grantmaker Story



Felecia Lucky

President

*Black Belt Community
Foundation*



“We started out thinking about community engagement, and now it’s about community ownership. We involve the community in every aspect of our work. And a key vehicle for that is our community associates. These are people from the community whom we look to as potential board members and potential committee members to do the work we do.

We also go into the community and organize grantseeker workshops. Our community associates help us pull those workshops together and often conduct those workshops as well. Once the applications are submitted to us, we have some of our community associates, along with other community members who may not be associates, sit on our grants review committee, and we go through our regular process with them to rank and select applicants for site visits. We invite our associates to come with us on those visits, and now we are working up to having associates actually coordinate those site visits. Community ownership helps ensure we have a community that wants to see our organization succeed.”

“The power dynamic between grantees and grantmakers is real, but that doesn’t mean that the relationship has to be an oppressive or dictatorial one. Acknowledging the presence of this dynamic gives us the freedom to strategize about how to best communicate and collaborate.

A couple of years ago, I met with our program officer at a California-based foundation. She explained to me that the foundation was changing its geographic focus, and I was worried that it would leave my organization, Unite for Reproductive and Gender Equity (URGE), vulnerable. I could have easily taken this information as a mandate, and decided to change our geographic focus or not apply for a renewal grant. It would have been equally easy for the program officer to assume that if I had objections or alternative ideas I would voice them without solicitation.

Instead, she acknowledged her power, the potential burden this could have on my organization, and then asked me for my perspective. Because our relationship was built on a strong foundation of trust, directness, and transparency, it felt safe to ask her about what the consequences would be if we didn’t change our priority states, and I made a case for why our work would still aid in meeting the foundation’s objectives. This created an opportunity to think together. I made sure she had what she needed, and she went to bat for us, acknowledging that there was no way to guarantee it would work out in URGE’s favor. We did end up receiving continued support, but the process and conversation we went through was as important as the outcome.”



Kierra Johnson
Executive Director
URGE

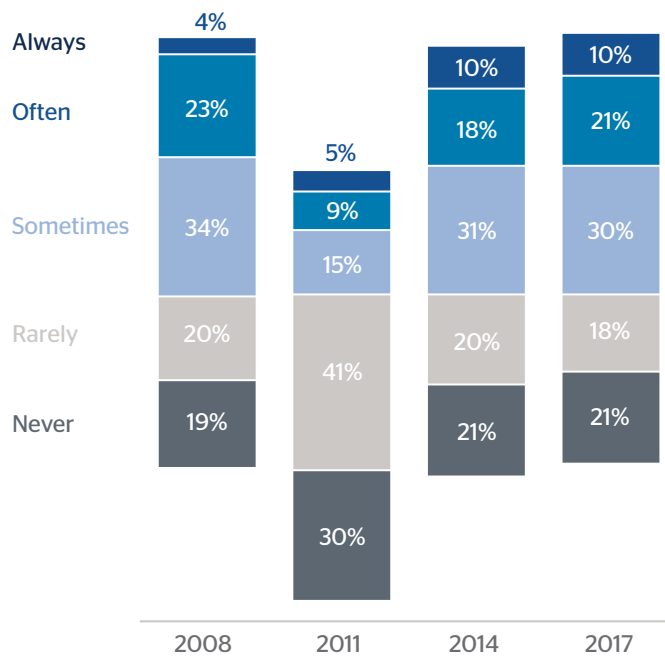
Flexible, reliable funding

Making a real difference on some of the most deep-rooted, systemic problems facing our communities requires us to give nonprofits the support they need to grow and become stronger for the long term. According to a 2015 study conducted by Nonprofit Finance Fund, the top-four financial challenges nonprofits faced were:⁸

1. achieving long-term financial sustainability,
2. having the ability to offer competitive pay and retain staff,
3. raising funding that covers full costs, and
4. raising unrestricted revenue.

The field has seen relatively little progress in providing multiyear support

Many retreated from long-term support following the 2008 recession – setting a dangerous precedent.



⁸ Nonprofit Finance Fund, “2015 State of the Nonprofit Sector Survey,” 2015. Available at <http://www.nonprofitfinancefund.org/learn/survey>.



Many of the issues nonprofits are taking on are systemic and deep rooted. Long-term support allows nonprofits to plan for impact on a more sensible time frame than a one-year grant cycle. It also allows them to spend more time on their work to improve lives in our communities rather than on the business of drumming up support and navigating administrative requirements of funders. In our interviews with nonprofit leaders, we have frequently heard that these types of grants are some of the hardest to secure. It appears that when times are good, we maintain a level of commitment to multiyear support. However, we should note that this support decreased significantly during the last recession. We need to stick to our commitment to long-term support when the next economic downturn or threat to the sector comes.

General operating support, also referred to as unrestricted or core support, recognizes that only strong organizations can achieve programmatic impact. Research from GEO and partner organizations, including the National Committee for Responsive Philanthropy⁹ and the Bridgespan Group,¹⁰ has demonstrated the importance of general operating support for nonprofit organizations. We have also seen several high-profile funders, including the Ford Foundation¹¹ and the Weingart Foundation,¹² being very public about their reasons for shifting to primarily operating support.

⁹ Niki Jagpal and Kevin Laskowski, "The State of General Operating Support," NCRP, 2016. Available at www.ncrp.org/wp-content/uploads/2016/11/PhilanthropicLandscape-StateofGeneralOperatingSupport.pdf.

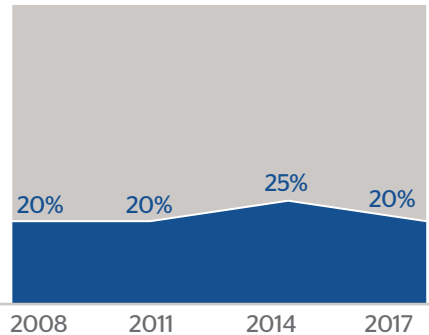
¹⁰ Bridgespan Group, "The Nonprofit Starvation Cycle," 2009. Available at www.bridgespan.org/insights/initiatives/pay-what-it-takes-philanthropy/the-nonprofit-starvation-cycle.

¹¹ Alex Daniels, "Ford Shifts Grant Making to Focus Entirely on Inequality," *Chronicle of Philanthropy*, June 11, 2015.

¹² Belen Vargas and Fred Ali, "Unrestricted Core Support: Strengthening the Capacity of Our Nonprofit Sector," GrantCraft, 2013. Available at <http://www.grantcraft.org/blog/unrestricted-core-support-strengthening-the-capacity-of-our-nonprofit-secto>.

Too little support is currently offered as unrestricted funding

Despite recent progress, we've seen a drop in the median percentage of grant dollars awarded as general operating support.



Several data sources have provided evidence of progress in general operating support in the past decade. In GEO's last study, we saw the median rise to 25 percent of grants budgets. Similarly, in 2014, the Foundation Center saw increases to 23 percent.¹³ However, in GEO's study this year, we saw a decrease over the past three years in the overall proportion that grantmakers are committing to general operating support. This is a trend we should continue to monitor closely. There is no question that even a small drop in general operating support is devastating for nonprofits and communities.

STATE OF THE SECTOR

- The Nonprofit Finance Fund found that 47% of nonprofits said foundations never or rarely covered the full cost of programs (when asked about government funders, 68 to 71% of nonprofits said they didn't cover the cost of programs, depending on the form of government).¹⁴
- The survey also found that only 31% of nonprofits feel they can have an open dialogue with funders about general operating support, and only 21% of nonprofits feel they can have an open dialogue with funders about multiyear funding.¹⁵

¹³ Foundation Center, "Key Facts on U.S. Foundations: 2014 Edition," 2014. Available at <http://foundationcenter.org/gainknowledge/research/keyfacts2014/>.

¹⁴ Nonprofit Finance Fund, "2015 State of the Nonprofit Sector Survey."

¹⁵ Ibid.



Grantmaker Story



Brian Wagner

*Community Development
Coordinator
Oregon Arts Commission*



“Listening to nonprofits helps us provide the types of support that nonprofits need most. We hear from leaders of arts organizations that operating support is one of the most important things we can do to support their organizations. It’s a difficult kind of funding to find and receive, and we are one of the few partners focused solely on the arts that provide funding for their basic operations.

In 2015, we established a two-year pilot program to provide operating support for locally-based arts organizations with annual operating budgets of less than \$150,000. By moving to the operating support pilot program, we essentially tripled the level of support we could give to these small organizations. We have also streamlined and simplified the grant application and review process with the goal of making it easier and less time-consuming for organizations to apply for operating support. Many of these smaller, often volunteer-run organizations have capacity issues around fundraising. We wanted to streamline and simplify the grantmaking process as much as possible.”

“As a grassroots organization that’s working to build power for long-term policy wins, we are lucky to work with funders who have stood by us over many years. We are organizing young LGBT people and investing in long-term leadership development so they can help build a safer and more just community here in New Orleans. And that’s not going to happen overnight.

It took us six years to finally get the city to adopt meaningful policies governing police interactions with members of the LGBT community. These policies for the first time prohibit police profiling of people based on gender identity and gender expression. We had notched other wins along the way, but that was a major victory and it took a lot of hard work and organizing on the ground.

We simply could not do that kind of movement building without multiyear funding and the assurance that funders are going to stick with us for the long haul. Having that kind of funding also helps ensure we can stay focused on our mission instead of having to worry every day about how to raise that next dollar or meet next year’s budget.”



Wesley Ware

Co-Director

BreakOUT!

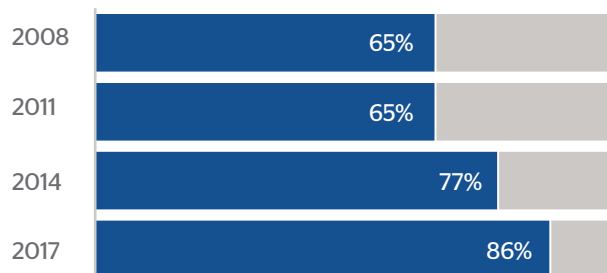


Capacity building

Working at a nonprofit often feels like trying to thread a needle in a windstorm. Conditions are continually changing around us. The difference between an organization that is successful and one that is not is whether it has the capacity – the tools, people, skills and knowledge – it needs to do the job. The vast majority of grantmakers report providing some level of capacity-building support.

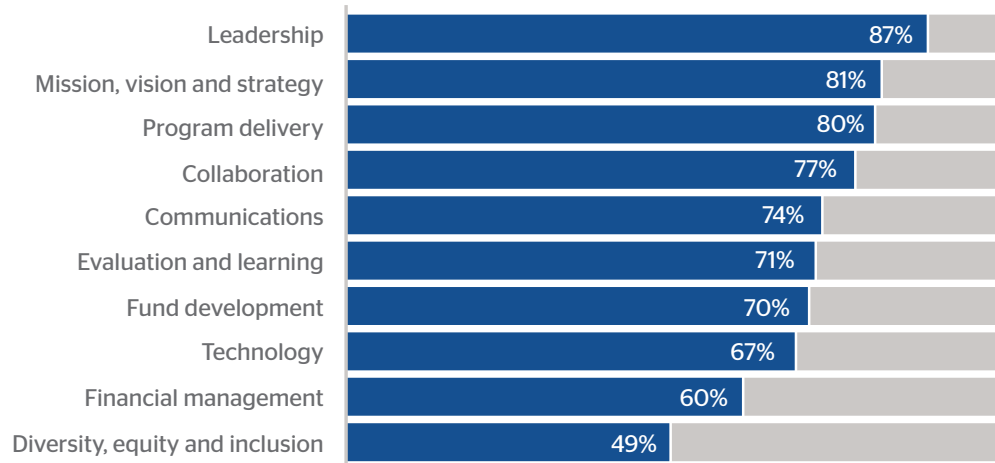
Nonprofit needs vary significantly, which may explain the wide array of types of support we provide. We are most frequently investing in aspects of organizational capacity such as leadership, mission, vision and strategy. Notably, we are much more rarely investing in capacity for diversity, equity and inclusion.

Nearly nine in 10 grantmakers now offer some kind of capacity-building support



Grantmakers are offering a wide variety of capacity-building support

However, DEI capacity building is offered far less frequently than the most common forms.



Funders responding sometimes, often or always



STATE OF THE SECTOR

- According to a report from Fund the People and the Foundation Center, foundations deploy less than 1% of grant dollars to support grantee staff development.¹⁶
- CEP found that 52% of nonprofit leaders want more help from foundations to gain sufficient resources and opportunities to develop their leadership skills.¹⁷

¹⁶ Rusty Morgen Stahl, Talent Philanthropy Project and New York University, "Talent Philanthropy: Investing in Nonprofit People to Advance Nonprofit Performance," *Foundation Review* 5, no. 3 (2013): 35-49. Available at <http://www.fundthepeople.org/downloads/Talent-Philanthropy-Article-in-Fdn-Rvw.pdf>.

¹⁷ Ellie Buteau, Andrea Brock and Mark Chaffin, "Nonprofit Challenges: What Foundations Can Do," Center for Effective Philanthropy, 2013. Available at <http://www.effectivephilanthropy.org/wp-content/uploads/2014/07/NonprofitChallenges.pdf>.

Grantmaker Story



Erica Snow
Portfolio Director
The Colorado Health
Foundation

“A few years ago, we decided we wanted to do a better job building the advocacy capacity of healthcare nonprofits across the state. But we recognized that our traditional grant cycles didn’t align with the needs of organizations doing policy and advocacy work.

That’s why we’ve developed a rapid response program that allows policy and advocacy organizations to apply for funding on a rolling basis any time of year, and we respond in two weeks or less. This is generally for short-term initiatives of three to nine months and includes support for everything from policy analysis to polling and messaging work.

When policy debates are moving fast and Coloradans’ access to health coverage is on the line, we can’t afford to get bogged down in process. With this rapid response program, we’re trying to make sure organizations have the capacity they need to have a real impact on health across our state.”

“My participation in the Clinic Leadership Institute was pretty transformational, and it’s the primary reason why I’m still here at the organization. The program allows us to invest in people of color at our organization and to support them as they take on leadership roles. It provided me the space and the opportunity to think critically about my work which, in the nonprofit sector, is oftentimes not possible. We often don’t have the space to step back and think about the larger context in which we’re trying to do our work, identifying connections to other organizations or other sectors.

Having the opportunity to be in partnership, in community, to take time for reflective thinking with other safety net leaders from around the state was so helpful. Now I have a network of 100 other practitioners to whom I can reach out if I have questions or need to discuss something. After the program, I was able to push myself to step out of my comfort zone, to start asking critical questions and offering solutions. Having that understanding of the systems and the context of the role made me a more committed, invested and effective member of the leadership team.”



Kemi Role

*Director of Community
Programs and Workforce
Women's Community Clinic*

Learning and evaluation

A key attribute of a strong organization is its ability to learn, reflect and improve. As we reported earlier in this publication, most of us said we have an organizational culture that supports learning and improvement. We are evaluating the work that we fund. This continues to rise, with nearly 80 percent now reporting that we evaluate.

Though we are evaluating more than ever before, we are still consistently missing opportunities to make meaning of what we are collecting and to learn together with others. Most of us use what we collect for purposes of accountability, such as to report to our boards, but far less often to improve programs or share with others.

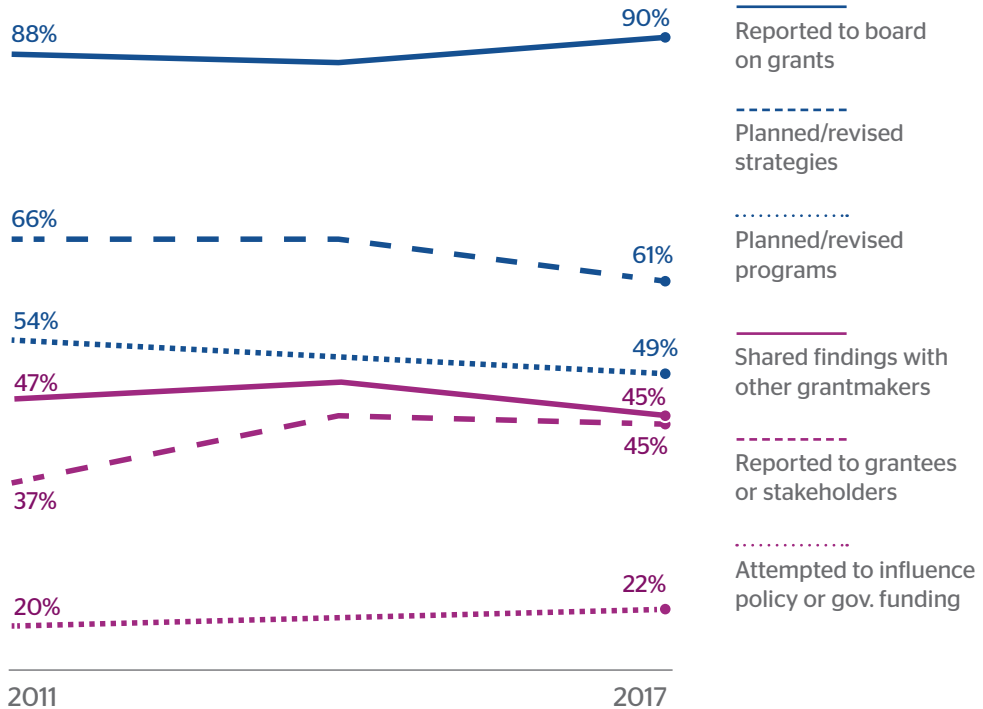
77%

of grantmakers evaluate their work

Most grantmakers make use of their evaluation internally...

...but aren't sharing or making meaning of learning externally.

Grantmakers are missing key opportunities for evaluation





Cris Kutzli

*Challenge Scholars Director
Grand Rapids
Community Foundation*

“From the start of our Challenge Scholars initiative, we wanted to work closely with our local school district on evaluation and learning. Working together, we drafted a request for proposal for the evaluation of the initiative, we vetted proposals and we interviewed prospective evaluators from across the country. We then sat down together with the chosen consultants to develop the evaluation approach.

When the school district had concerns about the initial evaluation plan from the consultants, we spent a day and a half in a room hashing it out with our school district partners. What you realize in a learning partnership like this is how important process is. When you acknowledge misunderstandings and you make a commitment to really working together, that’s when the partnership takes off. And now we are committed to learning together as the work moves forward.”

When we line this up with nonprofit data, we see a troubling line. Less than half of us (only 44 percent) report back to nonprofits and other stakeholders what we're learning through evaluations. Furthermore, it appears that nonprofits are more sophisticated than grantmakers in how they use evaluation information – 91 percent of nonprofits are using evaluation to revise programs compared to only 50 percent of funders.¹⁸

Nonprofits need more support from us for their evaluation efforts. While 71 percent of funders that support capacity building say they support evaluation capacity, a study from the Center for Evaluation Innovation and Center for Effective Philanthropy found that almost two-thirds of foundation staff with evaluation responsibilities say they fund evaluations for less than 10 percent of individual grants.¹⁹ This leaves nonprofits in the position of having to pay for evaluation out of unrestricted funds. With the drop in general operating support in recent years, it puts nonprofits in the increasingly challenging position of figuring out how to pay for evaluation.



STATE OF THE SECTOR

- CEP and the Center for Evaluation Innovation found that 88% of respondents spend time evaluating foundation initiatives or strategies.²⁰
- The same study found that 76% of foundation staff with evaluation responsibilities report it is at least somewhat challenging for evaluations to result in meaningful insights for their foundation.²¹
- According to Innovation Network, 92% of nonprofits evaluate. 93% of nonprofits say reporting to funders is a primary purpose, along with reporting to their board (94%) and planning/revising programs (91%).²²
- Nonprofits agree that funders do not cover the cost of evaluation – the Nonprofit Finance Fund reported that 89% of nonprofits were asked to provide evaluation data to at least some of their funders, but 69% said their funders never or rarely cover the costs associated with measuring program outputs or outcomes.²³

¹⁸ Johanna Morariu, et al., “State of Evaluation 2016,” Innovation Network, 2016. Available at https://www.innonet.org/media/2016-State_of_Evaluation.pdf.

¹⁹ Center for Effective Philanthropy and Center for Evaluation Innovation, “Benchmarking Foundation Evaluation Practices,” 2016. Available at <http://research.cep.org/benchmarking-foundation-evaluation-practices>.

²⁰ Ibid.

²¹ Ibid.

²² Morariu, et al., “State of Evaluation 2016.”

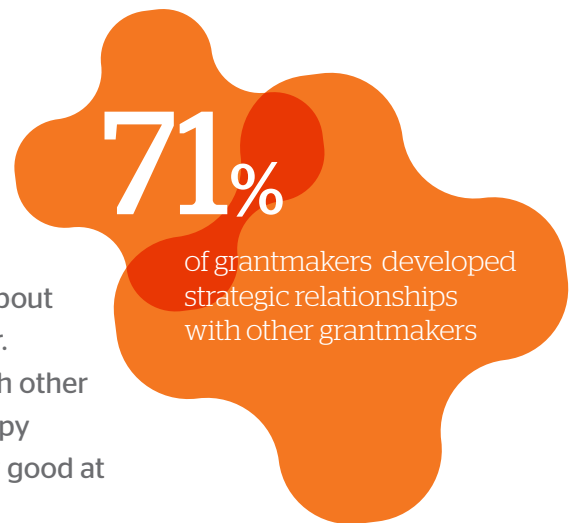
²³ Nonprofit Finance Fund, “2015 State of the Nonprofit Sector Survey.”

Collaboration

As grantmakers, we will be successful only if we work with others, follow more than we lead and put the needs of our communities ahead of our own. The recent election and the drastic reductions to the social safety net posed in budget proposals by the new administration have raised questions about how we as funders need to change the way we work together. Just under three-quarters of funders say they collaborate with other funders. According to a recent Center for Effective Philanthropy study, however, most funders do not think we are particularly good at collaboration.²⁴

While we value collaboration within the philanthropic sector and may wish to improve how we work with other grantmakers, we also prioritize collaboration between nonprofits. Most funders think it is important that nonprofits collaborate.

Most grantmakers believe nonprofits must collaborate



²⁴ Buteau, Orensten and Loh, "The Future of Foundation Philanthropy."

Grantmaker Story



***Meaghan Calcari
Campbell***

*Program Officer
Gordon and Betty Moore
Foundation*



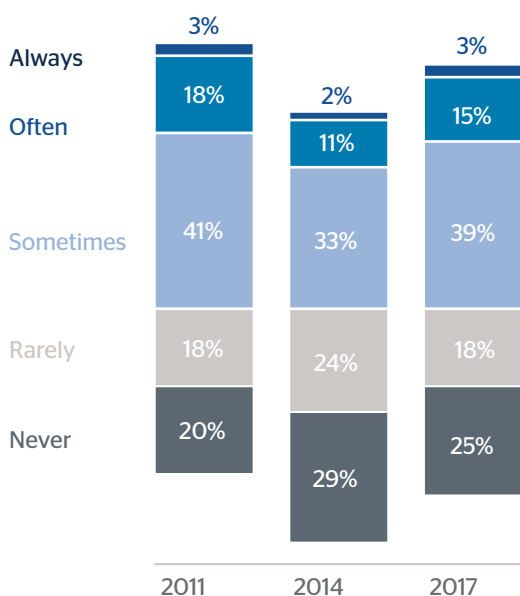
“We’ve taken an intentional approach to promoting and supporting collaboration in the field of ocean conservation by weaving networks. For example, we convene an annual retreat where grantees can learn together and make connections. Once we have everyone together, the value is there, because the most important thing is creating that space for these groups to share and generate solutions to problems across places and strategies.

We also provide grantees with the opportunity to meet with regional partners, and we organize ‘field trips’ that help groups learn together about pressing issues. We know that it’s not just about promoting collaboration among grantees. We also try to make sure we collaborate with grantees and other stakeholders in developing the foundation’s strategies and goals.”

To be effective grantmakers, we must not only prioritize collaboration but also set the stage for nonprofits to successfully collaborate. This means funding the cost of that collaboration. While only a small percentage of grantmakers always or often funds the cost of collaboration, over the past three years we have seen some increases in such funding.

Grantmakers have an opportunity to better fund collaboration

Though the majority of grantmakers do fund collaboration at least sometimes, only 3 percent always fund this work.



STATE OF THE SECTOR

- According to CEP, foundation leaders don't think foundations are living up to their potential. They cite internal challenges and lack of collaboration as barriers to their ability to make progress.²⁵
- According to the Nonprofit Finance Fund, about half (51%) of nonprofits collaborated with other organizations to improve or increase programs or services offered.²⁶

²⁵ Ibid.

²⁶ Nonprofit Finance Fund, "2015 State of the Nonprofit Sector Survey."

The GEO community includes many grantmaking organizations that not only have made important changes in their work but are willing to share how they did it.

Conclusion

In our nine years of producing this series, a number of grantmakers have told us that this report is a useful way for them to hold a mirror up to their own practices. Most of us will discover that we are not yet fully supporting nonprofits and communities in the ways they need for them to be successful in their work. Our communities are depending on us to do better.

Regardless of our role in the organization, each of us has a part to play. The good news is that we are not alone. The GEO community includes many grantmaking organizations that not only have made important changes in their work but are willing to share how they did it. One of our biggest challenges as grantmakers remains how to become equitable institutions. Members of the CHANGE Philanthropy and D5 coalitions have been working with grantmakers on how to become more equitable institutions for many years, and we recommend you start by exploring the deep resources they have developed for grantmakers.

Becoming a smarter grantmaker is not an individual effort. We can get there only by inviting the perspectives of those inside our institutions, other grantmakers, philanthropy support organizations, and nonprofit and community members. That is the most important work that lies ahead.



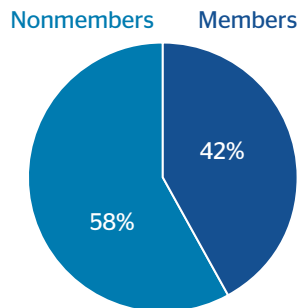
About the study

Process, methods and respondents

Harder+Company and GEO’s research and learning staff worked closely with GEO’s full staff, board and advisory groups to design and implement the 2017 field survey. As in previous years, the survey was intended to reach the CEOs of all staffed independent, community and corporate foundations based in the United States that make grants to organizations. To identify

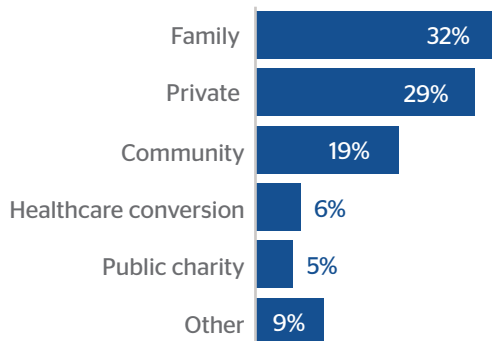
this population, the research team again relied on a comprehensive list of staffed foundations that the Foundation Center prepared for this purpose. Consistent with prior surveys, GEO grantmaker members based in the United States that did not appear on the Foundation Center list were also added to the survey mailing list. Below is a brief overview of the 2017 study’s process, methods, respondents, analysis and interpretation.

Membership status



Survey. In line with the intended respondents noted above, the research team distributed the survey to 3,930 grantmakers across the United States. The survey was distributed via email, mail and an open online survey link distributed through GEO’s partners. To encourage responses, multiple email and mail reminders were sent. In addition, individual reminder phone calls were made to GEO members and to a sample of nonmembers who had not yet responded to the survey at a specific point in time.

Organization type

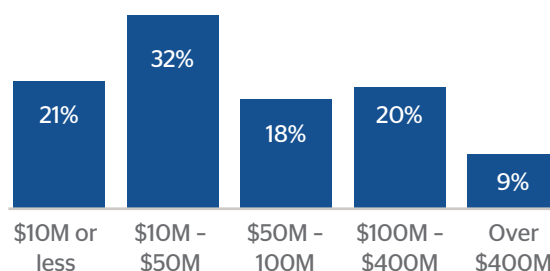


Respondents. In total, 644 grantmakers responded to the 2017 survey for a response rate of 16 percent. All surveys were confidential. The research team analyzed the data at the aggregate level. The data do not reveal any identifying information about the individual survey respondents or their organizations.

Survey respondents in 2017, as in the past, included a range of grantmakers by organizational type (e.g., independent foundation, community foundation, staff size and asset size. Overall, most respondents were independent foundations. In addition, most had seven or fewer staff and had \$100 million or less in assets. By geographic region, respondents continue to be almost evenly spread across all four regions (Northeast, Midwest, South, and West).

Compared with past field surveys, an important and significant difference is that proportionately more GEO members responded to the survey in 2017 than in past years (40 percent in 2017 versus 23 percent in 2014, 20 percent in 2011 and 16 percent in 2008).

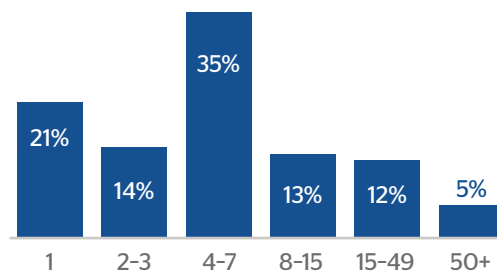
Asset size (in millions)



Analysis. The research team analyzed the 2017 results overall and, when feasible, compared 2017 responses with survey responses from previous years.

Interpreting the results. To understand and interpret the survey results, the research team discussed the preliminary analysis with GEO’s research and learning staff. GEO staff also shared and discussed the preliminary results with GEO’s full staff, board and advisory groups, and as part of select grantmaker and nonprofit gatherings across the United States. Based on those discussions, the research team conducted further analyses. We also conducted confidential phone interviews with a senior staff person from each of eight organizations who responded to the survey to support interpretation and analysis.

Number of staff



Considerations and limitations

The following considerations and limitations should be noted when interpreting the results of this study.

Census and convenience sample. As noted earlier, the field survey was (and historically has been) sent to all staffed U.S. foundations based on a list generated by the Foundation Center. This represents a census approach, meaning that every known member of the population (in this case, the Foundation Center list) was invited to participate. The strength of this approach is that it does not introduce sampling bias since everyone is invited to participate. However, since not every organization responded to the survey, there may be some nonresponse bias or systematic differences between those organizations that responded and those that did not.

Higher proportion of GEO members. As noted earlier, the survey was also sent to all active GEO members, which this year resulted in a notably larger proportion of GEO members than in prior years. Some, but not all, of this growth can be attributed to the growth in GEO's membership over time.

Change in survey items over time. The 2017 survey builds on previous field surveys. Some questions remained unchanged to assess change over time; other questions were revised (generally to make them more clear), which may have affected responses. Some questions that appeared in previous iterations have been excluded, new questions have been introduced and the sequencing of the questions has changed. Any of these changes may have influenced responses.

Response bias. Because the survey relies on self-reported information, there is the potential for respondents to provide inaccurate information, to overstate their organizations' engagement in practices they deem desirable or to understate actions they view as undesirable. For example, survey and interview respondents may have been motivated, consciously or unconsciously, to respond in a way that they thought the research team, GEO or other stakeholders would find desirable. In addition, the organizations that and people who chose to participate in the survey (versus organizations that or people who did not participate) may be biased toward the practices that GEO promotes in general. Similarly,

by being GEO members, those survey participants may be particularly predisposed toward practices about which GEO promotes learning. The study attempted to address response bias by noting these limitations and conducting additional analysis to understand the correlations of responses.

Preexisting relationships. Prior to this engagement, the research team at Harder+Company had a professional working relationship with GEO and with some of the study respondents. The research team took particular care to consider and address how those relationships and previous work might introduce bias.

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