

**Big  
Issues,**

**Many**

**Questions**

**An essay on the pressing issues facing  
U.S. foundation leaders and boards**

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To provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness—and, as a result, their intended impact.

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Foundations  
continue to have  
the potential—  
a potential that is  
in fact sometimes  
realized—to play  
**a unique role in  
our society, a role  
other actors can't  
or won't.**

April 2016

Dear Colleague,

**Leading a foundation** may look easy from afar, but, having run a community foundation and a private foundation, I'd suggest that it's not so easy in reality, at least not if you're going to do it well. The Center for Effective Philanthropy, whose Board of Directors I am honored to chair, exists to provide resources to foundation leaders to help them do their work better.

Periodically, as a board, we discuss the key issues of the moment for foundations and consider their relevance to CEP's audience and their implications for CEP's work. As background for such a discussion, I asked CEP's president, Phil Buchanan, to prepare an essay earlier this year with his take on the issues and the questions they raise for foundations. We considered his essay at our meeting last month, and we urged him to disseminate it more widely, believing that our foundation colleagues would find it helpful.

Phil lays out five pressing issues. We had a healthy debate at our board meeting about these issues, and about whether there are other trends that should have made the list.

Whatever your take, and whether you agree or disagree—or likely a mix of both—I think you'll find this piece to be a good discussion starter. I hope you might use it as a pre-read for a board or senior leadership meeting or retreat.

I know Phil welcomes your views and reactions.

Sincerely,



Grant Oliphant  
President, The Heinz Endowments  
Board chair, Center for Effective Philanthropy



**GRANT OLIPHANT**  
President, The Heinz  
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Board chair, Center for  
Effective Philanthropy



# Big Issues,

# Many

# Questions

An essay on the pressing issues facing  
U.S. foundation leaders and boards

By PHIL BUCHANAN

There's a lot of talk of "reinvention" in philanthropy and a lot of conversation about changes that might "disrupt" what David Callahan of *Inside Philanthropy* rather derisively called "legacy foundations" or, even more derisively, "dinosaurs." Emmett Carson of the Silicon Valley Foundation went so far as to suggest in the [New York Times](#) that only those in his world of young technology titans really understand what it takes.

"West Coast philanthropy is marked by innovation, it's about disruption, it's about change," he told the *Times*, adding that "We see the future today," while "you all see the future tomorrow."

OK, then. It's as though these and other observers believe that foundations with massive endowments will somehow disappear or become irrelevant as some younger donors choose to do their giving through donor-advised funds or LLCs.

But I don't think so. Private and community foundations remain

crucial sources of funding to nonprofits, and they wield significant influence. Foundations continue to have the potential—a potential that is in fact sometimes realized—to play a unique role in our society, a role other actors can't or won't.

Yes, it's true that—almost daily, it seems—new buzzwords and purported silver bullets are introduced, often with much fanfare. Yet there is often little clarity on the efficacy of these “flavors of the month” or nuanced discussion about in which contexts they may make sense.

My view, and that of CEP, is that what it takes to be effective as a foundation is straightforward and pretty much timeless, albeit very hard to get right. It's about clear goals, coherent strategies, disciplined implementation, and relevant indicators to gauge progress and fuel improvement. (See the [working definition of foundation effectiveness](#) that CEP's Board of Directors and staff revised in 2015.)

That may sound easy and similar to what it takes to be successful in almost any endeavor. But it all plays out in more complicated ways than, say, in business. Goals are hard to choose when there are so many pressing, interrelated challenges. Strategies are difficult to craft because, unlike in business, a strategy can't be yours alone or it will fail. Implementation is tough when you are working through others, and you need strong relationships to get things done. Indicators are difficult to identify when performance is not about the financial statements—and when progress on the outcomes that matter most can take decades.

The fundamentals of effective philanthropy are tough to master but timeless. And yet it is also true that we can't be oblivious to what is changing around us. A lot is, in fact, changing.

There are some forces that are particular to this moment in time that foundations need to pay attention to if they want to be as effective as possible. The fundamentals may be the same, but the dynamics are different and pose new challenges, opportunities, and questions.

Here, then, are five trends or issues that are especially relevant today—and that need, in my view, to be the subject of serious conversation in every foundation boardroom.

# 1

## Fundamental questions about the role of philanthropy as the so-called establishment comes under fire

Relative to other sectors, the nonprofit sector continues to enjoy [a high level](#) of trust among the public. [But foundations should not assume that the trust the public places in operating nonprofits applies to them as well.](#) As historian [Benjamin Soskis noted](#), we have come out of a “brief, balmy” season—which he argues is a historical aberration—when major donors and foundations received little scrutiny. It is increasingly clear that season is over.

More and more publications—Linsey McGoey’s controversial new book, *No Such Thing as a Free Gift*, is one recent example—are questioning the motivations and the efficacy of big donors and major foundations. Former Ford Foundation executive Michael Edwards has been among the most eloquent and consistent critics of those, such as *The Economist*’s Matthew Bishop, who have written glowingly of “philanthrocapitalists.” Edwards [argued recently in the \*Chronicle of Philanthropy\*](#) that “philanthropy is supposed to be private funding for the public good, but increasingly it’s become a playground for private interests.”

Many of the recent critiques raise fundamental questions about whether major donors and large foundations should be able to wield influence on policy in the ways they do. Nowhere has this played itself out more vividly than in education, where critics like Diane Ravitch have questioned the role of what she has dubbed the “billionaire boys club.” She argues that their efforts have been wrong-headed, ineffective, and anti-democratic—and warns against

the blurring of boundaries between business and other sectors, manifested, in her view, in the promotion of market-oriented education reforms.

Concerns about foundations' role in policy debates are not new, as Soskis noted, but they appear to be on the upswing and coming from both ends of the political spectrum. The appropriate role of each sector is now ferociously contested, with some continuing to embrace the idea of “boundary blurring” and others suggesting that too much coziness across sectors is problematic: that boundaries, like fences between neighbors, serve a crucial purpose. Whatever your views on the merits of the criticisms, foundations ignore them at their peril.

The critiques of philanthropy are happening in an environment in which anything deemed “establishment” is under fire—the very word has become a political liability. The simmering disaffection that manifested itself in the Occupy and Tea Party movements has now gone mainstream. Trust in the institutions we created to protect



us has eroded as those institutions have failed to live up to our expectations. From the abuse scandal in the Roman Catholic Church to the practices of our biggest banks pre-Great Recession to the killing of unarmed African Americans by police, citizens are asking whether any institutions can truly be trusted.

What's the relevance to foundations of all this?

First, there is opportunity. There exists the potential, perhaps greater now than in recent decades, to support and engage citizen movements to mobilize change. There is a restlessness and activism in the United States across an array of issues—and foundations are in a unique position to support those efforts when they align with their goals. However, it will require a level of courage that hasn't always been on display.

My view, for what it's worth, is that foundations have not challenged

sufficiently the fundamental socio-economic and racial inequalities we seem to have grown accustomed to living with in this country. There is recent bipartisan momentum on criminal justice reform, and some—like Public Welfare Foundation, Ford Foundation, and Open Society Institute—have been out in front on this issue for years. But many foundations have stood silent as African Americans, especially, were disproportionately imprisoned, often for drug-related offenses.

I am not singling out foundations only. It is striking to see, for example, the change in the national debate and media coverage now that drug addiction has become a massive problem in largely white communities. American society and the media often viewed African-American addicts with contempt worthy of imprisonment during the crack epidemic. Now they appear to see largely white opioid addicts with compassion.

As institutions and the “establishment” are challenged, the question is whether more foundations that are working in relevant areas can support movements that challenge the status quo (as some did during the 1960s civil rights movement or on gay and lesbian rights more recently). While this won’t be a role every foundation chooses to play, foundations have a unique opportunity to push for greater racial equity and to fight inequality more broadly. (The Ford Foundation’s strategic shift is a dramatic effort in that direction.) But it will not be easy.



[CEP’s research](#) suggests that nonprofit grantees of foundations—who arguably are in a good position to judge—don’t see foundations as adequately understanding the needs of their intended beneficiaries. Really listening to, and engaging with, those you seek to help has always been crucial if you want to be effective. It’s even more crucial now because the distance between the haves and have-nots has widened.

But maybe it’s a moment of opportunity, at least for those whose program goals and program priorities align with the issues I am discussing (and of course not all do). Foundations, if they play their cards right, can have a foot in both worlds—influencing the “establishment” and empowering and supporting those on the ground.



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And yet—and here’s the second implication of the anti-establishment fervor—there is also significant risk for foundations that fail to understand the dynamics of the moment. The reality is that, however well-intentioned, major donors can be seen as the very embodiment of the “establishment”—outside powers imposing their will on communities. Funders that seek to design and implement “solutions” in a top-down way will meet increasing resistance as citizens rightly rail against a process that leaves them out of the conversation.

As a CEP board member put it recently in one of our meetings, “We fund a lot of movements, but we can be mistaken for the oligarchs.” Indeed, sometimes foundations have acted too much like the oligarchs. CEP Board Chair Grant Oliphant noted [in a recent article](#) about The Heinz Endowments’ strategic shifts that top-down approaches may have worked in a different era but not anymore.

### **FOUNDATIONS NEED TO ASK THEMSELVES:**

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What do we believe about the role of government, the role of philanthropy, and the role of business in addressing pressing social challenges—and what are the implications of those beliefs for goal and strategy selection?

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How are we ensuring our staff and strategies stay connected to—and informed by—the needs and experiences of those we seek to help?

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What are the “inside” and “outside” strategy possibilities? How can the foundation use its flexibility to influence systems from within and exert pressure from without?

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How does the foundation balance its goals with the rising concerns about unelected influence on democratic systems and processes?

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Are we paying attention to the issues that matter to the most vulnerable in our society? How do we hear from those people? How do we stay connected?

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# 2

## Questioning the traditional approach to endowment management

For the past century, foundations have tended to default to the same endowment management approach: one that sees the endowment and programmatic sides as separate, with endowments invested to maximize returns to support the foundation's existence in perpetuity.

That may be changing. Put another way, it's not your grandpa's endowment anymore.

True, there is nothing new about limited life foundations (see Sears founder Julius Rosenwald's philanthropy in the 1920s and early 1930s), impact investing (see the Ford Foundation in the 1960s), or negative screening of investments seen to conflict with values or goals (see the South Africa divestment movement of the 1980s or tobacco in the 1990s). But there is more and more discussion about each of these approaches.

And it is true that in all three cases, activity still lags the rhetoric.

- CEP's data suggest that perpetuity remains the overwhelming time horizon for large foundations. (Of 49 large foundations that answered this question in a survey we conducted last year, just six are committed to a limited life.)
- We [also see that impact investing](#) is being done by more than 40 percent of large foundations



but with (very) small dollars (two percent of endowment and 0.5 percent of program budget at the median).

- [Negative screening is rare.](#) (Just 17 percent of large foundations we surveyed do any negative screening at all!)

But the rhetoric and discussion, and a few prominent exceptions, suggest this may change.

Major foundations like the [Atlantic Philanthropies](#) are in the final years of spending themselves out of existence and are actively attempting to influence other foundations to make the same choice they have made.

There's action on the impact investing front, too. The [McKnight Foundation](#), for example, has committed to investing \$200 million, or 10 percent of its \$2 billion endowment, "in strategies that align more closely with McKnight's mission." [New IRS guidelines](#) have reduced the risk for foundations worried that accepting a lower return would result in penalties, removing a potential barrier that some foundations have cited as a reason for not doing more.

Earlier this year, the [F.B. Heron Foundation](#), which seeks to use "every dollar" at its disposal for impact, took the unusual step of issuing a press release urging its peer foundations "to jettison outdated operating models that leave resources untapped in the face of systemic social ills." Heron President Clara Miller argues in her essay, "[Building a Foundation for the 21st Century](#)," that "money and mission were never meant to be apart."

Implementation is tough, however, in part because it can be so difficult to gauge who is a "good guy" and who isn't among the major corporations in which foundation endowments are often invested. Together with the consulting firm (FSG) with which he is affiliated, Michael Porter of Harvard Business School, for example, has promoted companies such as Nestlé, [Coca-Cola](#), and [General Electric](#) (GE) as exemplars of what they call "shared value"—doing social good *and* making a profit (arguing there is no tension between the two).

But are they really doing good? In her book, Linsey McGoey raises questions about the concept of shared value and its purported exemplars—



and about what she sees as a dangerous blending of profit and philanthropy. “[A]dmiration for Nestlé is not universally held,” she writes, adding that the company “has faced considerable criticism for allegedly encouraging intimidating and lethal union-busting tactics in Colombia, and for aggressively patenting tactics that restrict access to affordable medical procedures and food substances.” She makes similar critiques of Coca-Cola and GE, the latter of which has been called “one of the top ten ‘greenwashers.’”

The point is this: It isn’t always easy to determine which companies are doing good work that might be aligned with a foundation’s mission, which ones are having a negative impact that runs counter to mission, and which are doing what is probably most common—a mix of both. This is a significant practical challenge to the kind of “all-in for impact” model Heron has been championing.

Excluding entire industries from an endowment is a somewhat simpler call to make, however. Although negative screening does remain rare among large foundations, the past several years have seen a number of significant examples of major foundations pledging to divest from entire industries. There was, for example, [the much-publicized decision](#) of Rockefeller Brothers Fund to divest from fossil fuels. Others, such as The California Endowment, have recently [divested from for-profit prisons](#).



## FOUNDATIONS NEED TO ASK THEMSELVES:

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What is the role of the endowment?

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How do we define our fiduciary responsibility—and are we acting consistently with that definition?

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Are there certain industries or businesses in which we won't invest because doing so is counter to the foundation's programmatic goals or its values?

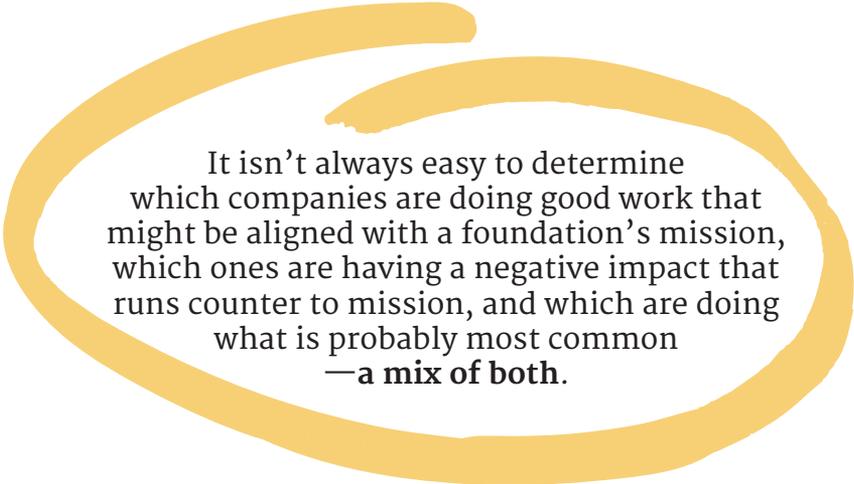
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Will we seek to actively pursue our programmatic goals through investments of the endowment? What are the costs and benefits and potential challenges? (It should be noted that answers to these questions will likely be very different depending on endowment size.)

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Given our programmatic goals and strategies, should the foundation exist in perpetuity?

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It isn't always easy to determine which companies are doing good work that might be aligned with a foundation's mission, which ones are having a negative impact that runs counter to mission, and which are doing what is probably most common  
—**a mix of both.**

# 3

## An evolving notion of what good strategy and measurement look like in philanthropy

As McGoey points out, and as historians have observed, the earliest American mega-philanthropists cared deeply about effectiveness and impact. The fiction promulgated by business school types in the 1990s and early 2000s that strategy and measurement were new concepts to philanthropy was, well, fiction—simply “not true,” in McGoey’s words. That said, strategy and measurement have never been—and will never be—easy in philanthropy.

Why did we ever think otherwise? In part because the business-knows-best crew—including consulting firms and business school faculty with a newfound interest in philanthropy—made it out as if it were easy. Strategy was discussed and defined in ways that worked in a competitive business context but that made little sense for work in complex systems in which there were no such dynamics.

The emphasis was on each foundation emphasizing its “unique value,” a [notion promoted](#) in the late 1990s and early 2000s. But this concept has virtually no relevance in an environment absent competitive dynamics in which impact is the goal, not organizational profit. The belated realization of this led to an [eventual reversal](#) by its proponents. Additionally, the focus on “logic models” and “theories of change” that were often thought of as fixed (by the funder), rather than working hypotheses to be tested and iterated, didn’t function well in the real world of foundation work.

Measurement was dumbed down. The charts looked good, but what meaning did they really convey? One nonprofit leader, who

helped found an organization serving homeless children, told me of a denial of funding—after a grueling process—by a self-styled “venture philanthropy fund” because his organization’s “cost per child served” was too high. But, of course, none of the comparison organizations served homeless children! His frustrated response? “I can give every poor child a f\*\*\*ing lollipop if you want a low cost-per-lives-served number! But that won’t create impact.”



Examples like this are real but, thankfully, rarer today than a decade ago. After years in which the fantasy was perpetuated that “social return on investment”—surely the right theoretical idea but not the right practical measurement approach—could actually be calculated with precision, we are beginning to see more of an embrace of the reality of foundation performance assessment.

Lately, there is a growing recognition of the risks in focusing too much on a single measure, such as test scores in education.



The Obama administration, having arguably pushed the emphasis in the first place, recently sought [to limit testing](#). An overemphasis on one metric—although there could be an analog to profit or stock appreciation in the business world—creates distorted incentives that lead to gaming or, worse, outright cheating of the kind that has plagued American

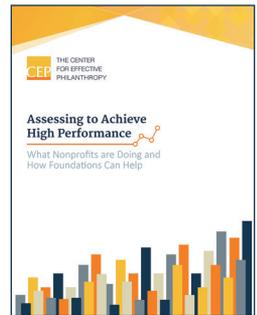
public school systems. Moreover, a single metric can never capture everything important.

The right approach to assessment isn’t simple or monolithic. It flows from the goals and strategies of the foundation and varies based on context. What is the foundation holding itself accountable for? Changes in outcomes on the ground? Finding and “scaling” new solutions to tough problems? Strengthening nonprofit organizations working in certain areas? Simply getting money out the door? All of the above? The answer tells us which measures make most sense.

Foundations that want to help bring a new, promising approach “to scale” or wide adoption need to ensure that the approach, in fact, works. In these situations, the most rigorous testing possible should be employed—yes, even randomized control trials. However, if

something has been shown to work, there is no need to test it again and again (although it's dangerous to assume faithful implementation and a constant context, so some re-testing may be necessary). If something is a new, innovative approach that seems promising, by all means fund it—but fund it in a way that provides support for the data collection and analysis to see if it works and under what conditions.

Whatever the approach to assessment, nonprofits need to influence it—even guide it. Too often, foundations don't support nonprofits in their efforts to collect the data that both parties need to improve. [Our research](#) shows that nonprofits care deeply about performance assessment but often lack the support they need to do that work. (Only a little more than one-third receive any support, financial or nonfinancial, from foundations in this area.)



There are exceptions, of course, and they can serve as exemplars to others. Increasingly, there seems to be at least an acknowledgment of the need to support nonprofits in their efforts to assess. Mario Morino's "[Leap of Reason](#)" campaign has been an important catalyst for this conversation.

Foundation performance assessment is about the outcomes a foundation seeks, but it also has to be about the way the foundation works. It should pierce the "bubble of positivity" in which foundations often comfortably reside, and the best way to do that is through comparative, candid feedback. This is a big part of what CEP does, of course. That means feedback from grantees but also from declined applicants, intended beneficiaries, donors (for community foundations), policymakers you might be seeking to influence, and so on.



The board plays a key role in this area. Foundation boards can embrace the complexity—working with staff to define the indicators that make sense to gauge progress and then learning from the data—rather than taking a punitive approach. Our [benchmarking of foundation governance](#) suggests that strategy and assessment are major areas of activity for foundation boards today, and this is as it should be.



## FOUNDATIONS NEED TO ASK THEMSELVES:

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What do we hold ourselves accountable for and how will we judge performance?

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What data can inform that judgment and how will we gather it?

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Are we utilizing an array of measures, recognizing that no single data point can answer all our questions?

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Are we supporting nonprofits—financially or otherwise—to collect the data they need to improve and to analyze that data to inform improvement?

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What information does the board review, annually, to spur discussion about how the foundation is doing?

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How are we getting candid, comparative feedback from relevant populations (grantees and intended beneficiaries, as well as policymakers and others relevant to a foundation’s strategy) to ensure we don’t reside in a “bubble of positivity?”

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How are we learning from this data and using it to inform our work?

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# 4

## The embracing of— or return to—aligned action among funders (and with other actors)

Lately, the position that working in concert with others is essential to impact has been presented as though it is a breakthrough concept. But this should not be (and is not to many) a new insight!

The tuberculosis epidemic 100 years ago in the United States saw foundations working with nonprofits, government agencies, and insurance companies like Metropolitan Life to invest in research and education that helped turn the tide against the deadly disease. The Green Revolution to spur agricultural production was a collaborative effort of funders, government agencies, and nonprofit organizations.

More recently, foundations partnered in an initiative called the Civil Marriage Collaborative spent \$153 million over 11 years to push for marriage equality for gays and lesbians—a remarkably effective effort





in a short time span. The collaborative efforts of major foundations on climate change, begun in 2007 by the William and Flora Hewlett, David and Lucile Packard, and McKnight foundations and then restructured and expanded more recently, is another important example of funders uniting to address a pressing and, in this case global, challenge. Earlier in 2016, a group of funders came together to form an effort called [Blue Meridian Partners](#). It aims “to invest at least \$1 billion in high-performance nonprofits that are poised to have truly national impact for economically disadvantaged children and youth.”

These are just a few examples.

For the past decade, too much attention was paid to the concept of “unique positioning,” which makes sense for business but not for foundations. Now there seems to be an appreciation of this historical fact: Nothing of real consequence has been accomplished when our toughest societal problems are tackled by a single entity acting alone. In business, you want your strategy to be yours alone. For foundations, if your strategy is yours alone, you will fail.

People talk about collaboration all the time—it was the theme of one of the first Council on Foundations conferences I attended after taking the job as CEP’s first executive director 15 years ago—but it’s often hollow talk. It’s extremely difficult to align efforts effectively. It requires, as Sylvia Yee of the Haas Jr. Fund has said of marriage equality work, “putting egos aside.” Easy to say, hard to do because so many career incentives encourage the claiming of credit—individual and institutional. We talk of “brand identity” and “leadership” but what is sometimes needed, as [Harvard’s Barbara Kellerman has argued](#), is smart followership.

Working with others in an aligned way to produce results also necessitates more open sharing of information about what does and

# Working together in a way that really creates impact requires us to get over ourselves.

doesn't work—including information from foundations' assessment efforts. CEP's [recently-released research on foundation transparency](#) shows that this is an area where foundation CEOs see a link between transparency and effectiveness but where they also concede they aren't doing a lot. Foundation leaders and grantees alike want this information, so where is it?

We need to deepen the conversation on transparency in philanthropy that organizations like [Foundation Center](#) have helpfully championed, but which has too often focused on what I call “checklist transparency”: sharing 990 PFs on websites, or governance documents, or conflict of interest policies. We need to focus instead on substantive transparency about what works and what doesn't. It won't be easy.

Working together in a way that really creates impact requires us to get over ourselves. We can't all look good, all the time. We can't all lead, all the time. We can't all “punch above our weight.” We can't always all be the ones “creating leverage” or attracting disproportionate dollars to *our* ideas. Sometimes the best way to have an impact is to follow somebody else who knows what they're doing.



## FOUNDATIONS NEED TO ASK THEMSELVES:

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Are our program strategies shared by other funders as well as grantees and other relevant players, and, if not, do we really think we can be successful alone?

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When should the foundation simply follow others rather than seeking to be seen as a leader?

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What incentives have been created (intentionally or unintentionally) that work against the kind of collaboration or coordination that is needed to be effective—whether in the way we evaluate and compensate our employees or the way we screen and support grantee organizations?

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What are we sharing with others about what we are learning about what is and isn't working? What could we be sharing?

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How do the foundation's resources stack up against the scale of the problem and what does that tell us about the need for coordinated action?

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How can we learn from and work with other foundations toward the achievement of shared goals? How can giving up our power in certain contexts yield greater results?

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# 5

## A new sophistication in considering how to support nonprofits effectively

After a period in which grantees were often seen by funders as akin to contractors or vendors, paid to produce “outcomes,” there is a growing recognition that nonprofit organizations need to be supported—and strengthened—and relationships attended to if foundations are to achieve their goals. I am hearing less often from foundations the idea that “grantees are just a means to an end” and that “if grantees don’t like working with us, then we must be doing something right.” (I am not making this up.)

Maybe, finally, as The Whitman Institute’s [John Esterle and his colleagues put it](#), relationships are moving from the “kids’ table” to the “adults’ table” in the conversation about impact. We see in our work at CEP more interest in what we have learned about the program officer–grantee relationship, manifested by foundations wanting to see breakdowns of Grantee Perception Report® (GPR) ratings according to program officer, as well interest in our research and workshops focused on this topic.

We also see more interest in supporting organizations. While the overwhelming proportion of grant dollars are still program restricted, there is movement here. The Blue Meridian Partners’ effort responds to a perception of a desperate lack of funding needed to grow organizations with programs that have been proven to have impact. Similarly, the efforts of the [Ford Foundation](#), [Citi Foundation](#), [Chicago Community Trust](#), and others to provide more six-figure and greater multi-year unrestricted general operating support to grantees—the kind of support our research has shown is correlated with higher

perceived impact—are hopeful signs of a newfound appreciation of what nonprofits need to be effective. While foundations such as the [William and Flora Hewlett Foundation](#) have promoted this kind of support for a decade or more, there seems to be real momentum now. These initiatives may finally push the proportion of general operating support well beyond its relatively flat recent rate of about 20 or 25 percent of foundation grant dollars.

The focus on building stronger organizations need not be just about “scale” of individual organizations or “replication” of programs. Many nonprofits are local and small, and this isn’t always bad. We can encourage more sharing of what works across organizations—“scaling impact,” in the words of Jeff Bradach of The Bridgespan Group. Bradach has written about the potential of [“aligned-action networks”](#) as an alternative to the tight control of either “program replication” or so-called collective impact.

What we are seeing now is an increasingly sophisticated discussion that is redefining scale. The emphasis is on continual learning and improvement and spreading what works, while allowing for variation to accommodate differing geographies and contexts. Foundations can do more to support this kind of sharing among nonprofits, as well as a variety of forms of collaboration to increase efficiency and effectiveness. Philadelphia’s [Nonprofit Repositioning Fund](#), led by CEP board member Nadya Shmavonian, is an interesting new pilot effort by a group of funders “to encourage and support mergers and other types of formal, long-term collaborations between nonprofit organizations.”

Supporting organizations and not just programs means supporting their administrative expenses—and not dismissing anything related to investment in strengthening an organization as “waste” or “overhead.” Although nonprofit and foundation leaders have been railing for decades against the overreliance on administrative spending ratios as a terrible proxy measure for effectiveness (I’ve been one of them), there is increasing momentum on the topic.



One way to make progress is through the provision of more general operating support. Another way is to offer more flexible program support. Foundations such as Hewlett and Ford are doing both, offering general support but also, when that doesn't make sense, providing what Hewlett calls “general support to program.” If grants must be tightly restricted, then funders can at least allow for more support of overhead. [Tim Delaney of the National Council of Nonprofits](#) has been among the leaders on this topic, successfully arguing for a change in the rules for federal grants to support more overhead. Major foundations have reexamined and changed their rules on overhead, too, allowing higher proportions.



Spending on “overhead” isn’t irrelevant. We should all be concerned about nonprofits utilizing for-profit fundraisers that keep 50 or 75 cents on the dollar without donors knowing it, for example, but it has been overly relied upon as a metric. Jacob Harold of GuideStar, H. Art Taylor of BBB Wise Giving Alliance, and Ken Berger (formerly) of Charity Navigator deserve credit for arguing that we need to reject [“the Overhead Myth”](#).

For all the talk about how best to support grantees, nonprofits also need a greater voice, as CEP, [GEO](#),

[NCRP](#), and many others have argued. The majority of the largest 50 foundations in the country and [hundreds of other foundations utilize CEP’s GPR](#)—a tool that didn’t even exist 14 years ago—to learn how grantees see them across a range of dimensions. [CEP’s research](#) also has helped amplify the grantee voice; for example, through our Grantee Voice Panel, which we have regularly surveyed on key issues. As foundations seek to do a better job supporting those on whom they rely to achieve their shared goals, I believe—and we [have evidence](#) to support this—that these efforts have informed discussion and change. Foundations today are listening to nonprofits in a way they haven’t always.

Foundations seek to achieve their programmatic goals by many means. Grants to nonprofits are just one of them—but a central one for most.

# Foundations today are listening to nonprofits in a way they haven't always.

## FOUNDATIONS NEED TO ASK THEMSELVES:

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Which are the organizations we see as vital to our strategies—and how are we supporting them to become stronger, more sustainable organizations to do that work well into the future?

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Is the foundation sufficiently staffed and resourced to do the work of supporting nonprofits well?

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Does the foundation create incentives for underinvestment in organizational capacity through an overemphasis on keeping “overhead” (however it is defined) low?

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What proportion of the foundation's grants are large, unrestricted, and multiyear—and what would it take to increase that number?

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How can nonprofits be better supported in a way that is consistent with a foundation being outcome-oriented and strategic in its approach?

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How are we creating a culture and performance appraisal systems that reward program staff for building strong relationships with grantees?

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How can the foundation support organizations to learn from each other and work with each other toward the achievement of shared goals?

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# Concluding Thoughts

This isn't an exhaustive list of the essential issues or trends facing foundations today. There are many other questions of the day—about technology, for example—that I could have included here. But it addresses five that strike me as particularly important. The anti-establishment attitude of those of our country's citizens who are deeply disillusioned with institutions. The role of the endowment. Strategy and metrics—and an evolving take on both. Collaboration—and its crucial importance to effectiveness and impact. And how best to support nonprofits.

I could also have discussed the new approaches to giving, such as Mark Zuckerberg's decision to handle (for now, anyway) his giving via an LLC rather than through a charitable foundation. Or the increased use of donor-advised funds.

While interesting, I am not sure these developments have any implications for existing foundations that are clear to me right now, so I chose to emphasize what feels most relevant and pressing. I welcome feedback on this list.

If there is a theme here it is that philanthropy is uniquely challenging, at least if you're going to do it well. But it's also vitally important.

Foundations, after all, can do enormous good.



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