

Building Constituencies for Progressive Social Change

By Cyrus Driver

In 1998, a group of Ford Foundation grantmakers came together to discuss a shared problem. Many of us were strong advocates for the power of community organizing to promote equitable and effective public policy. Indeed, most of us already were supporting community organizing in our own portfolios, and we often supported the same groups. Yet, the fact that our foundation focused its grantmaking on a discrete set of fields—such as school reform or racial justice—presented a challenge. Since local community organizations often address a wide array of important issues, we decided that we needed to unite grantmakers across many different issue areas in an effort to support these organizations more effectively. We also had to address the fact that our grants—typically designed for large, national and international organizations—would need to be reshaped to meet these organizations’



On April 14, 2008, a broad coalition of labor, community, environmental, and faith organizations called on Denver’s Mayor to use tax-payer subsidies at Union Station, the hub of FasTracks, for good jobs, affordable housing and sustainable development.

needs better. This is the story of how we met these challenges by developing an innovative, cross-foundation initiative: the Fund for Community Organizing (FCO). The FCO far exceeded our expectations and, I believe, represents a replicable model of collaboration between national and local funders to support grassroots organizations as advocates for progressive social change. *(continued on page 13)*

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Serious About Diversity? Measure It.

By Aaron Dorfman

The public has a right to know who's benefiting from philanthropy. Recently, many have begun to question whether or not the American public—especially lower-income communities and communities of color—are benefiting sufficiently from the \$550 billion held in trust by private foundations and other institutional philanthropies.

The privileged tax treatment of foundations under the current IRS code means that American taxpayers are subsidizing foundations' activities, so it's understandable that the public—and their elected officials—want to know if they're getting their money's worth. Who benefits? How is the public good really being served? Is the public benefit worth the tax exemption? A growing number of critics from within and outside the philanthropic sector are asking these questions.

For those who seek to answer these questions, a major problem they encounter is the way information currently is reported by grantmakers, which makes it almost impossible to get a clear picture of who's benefiting from the activities of an individual foundation or to compare one foundation to the next. IRS forms 990 and 990 PF don't require sufficiently relevant information from grantmakers. Although voluntary reporting through the Foundation Center gets us closer to answering those questions, it still falls short of what is needed.

With any rigorous review of the available data, it is clear that lower-income communities and communities of color benefit from institutional philanthropy at rates far lower than one would expect. Nationally, less than 16 percent of grant dollars are classified as intending to benefit economically disadvantaged populations, and less than nine percent to benefit racial or ethnic minorities, a figure that has been declining over time.¹ When confronted with these statistics, some foundation leaders argue

that their grants are not being classified properly and that the complexity of their grantmaking makes it nearly impossible to report on these issues.

This brings us to the controversial AB 624, a bill in the California legislature that would require the state's largest foundations to publicly share diversity data about their boards, staff, grantees and vendors. The bill, however, would not mandate giving to any particular constituency. It passed the California Assembly and is expected to be reviewed in Senate committees beginning in June. Assembly Member Joe Coto introduced the bill, which he hopes will give him the information he needs to assess whether California foundations are meeting the needs of his constituents and other communities of color. The limited data available to him—and the reported experiences of many nonprofits serving communities of color—seem to point to foundations not doing enough. A majority of Coto's colleagues in the Assembly voted in favor of the bill.

The trade associations representing foundations have come out uniformly in opposition to AB 624. The Council on Foundations, Northern California Grantmakers, Southern California Grantmakers and San Diego Grantmakers all have condemned the bill strongly. The conservative Philanthropy Roundtable also is campaigning actively to kill AB 624.

No one should be surprised by this reaction from the trade associations. Interest groups in America traditionally resist any and all attempts at regulation by the government.

The concerns being raised by foundations regarding AB 624 are similar to concerns raised by the banking industry in response to the Home Mortgage Disclosure Act (HMDA) and the Community Reinvestment Act (CRA). In the 1970s, banks came under increased criticism for their failure to provide enough home mortgage loans to decay-

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ing urban neighborhoods. Like foundations, banks enjoy certain preferential treatment from government. For foundations, it is tax-exemption; for banks, it is federal deposit insurance. Because of this preferential treatment, Congress felt it was important to ensure that all segments of the public were benefiting sufficiently from banking activity.

In response to community concern about neglect of certain neighborhoods by banks, Congress passed the HMDA in 1975, which mandated public reporting of loans by census tract or

zip code.² The intent was to bring sunshine to the question of whether banks were meeting the credit needs of lower-income areas or “redlining” them, as activist groups charged. In 1977, Congress passed the CRA, which laid out an affirmative obligation for banks to meet the credit needs of the communities in which they operate.³ The regulations interpreting the CRA have been revised several times over the past 30 years, allowing them to reflect an evolution of practices and standards in the industry. In 1989, HMDA was revised to also require reporting of race and gender data for all mortgage applications and approvals, allowing the data to provide insight not only about the extent to which lower-income neighborhoods were benefiting from bank activity, but also the extent to which people of different races and genders were benefiting. HMDA data are reported in standardized ways that allow easy aggregation and comparisons among institutions. It is available to the public, and it is used by bank regulators as part of their periodic examinations to determine which CRA rating should be given to a bank: outstanding, satisfactory, needs to improve, or substantial noncompliance.

Not surprisingly, banking industry leaders and their trade associations originally opposed both the HMDA and the CRA. They asserted that their loan decisions were not based on race or neighborhood but on credit-worthiness and the applicant’s ability to repay the loan. They also claimed that the reporting requirements would be overly burdensome.⁴

The data are clear, however, that in the 30 years since the passage of the HMDA and the CRA, bank lending to people of color and to lower-income neighborhoods has



Commuters walk into a tunnel at Los Angeles's Amtrak-Metrolink Union Station Wednesday, Aug. 30 2000 under the mural "City of Dreams/River of History" by artist Richard Wyatt, showing the diversity of California's population.

Photo: AP/Damian Dovarganes

improved without a corresponding increase in foreclosures and defaults. Home ownership is up among all income groups and races, and the gap in home ownership by race is decreasing.⁵ People and organizations differ, of course, in their opinions about the extent to which the HMDA and the CRA contributed to these positive trends.

Grassroots organizations that represent low-income Americans uniformly praise the regulations. In testimony to Congress in February 2008, John Taylor, president and CEO of the National Community Reinvestment Coalition, wrote, “As we celebrate thirty years of the Community Reinvestment Act (CRA), we should reflect on the powerful and proven effects that this law has had on increasing access to capital and credit in low- and moderate-income communities. Looking back, we see a law that has stimulated the flow of billions of dollars each year to lower-income and minority communities to expand homeownership and promote healthy neighborhoods.”⁶

Less predictably, many leaders in the banking industry now publicly praise both the HMDA and the CRA. Many who are ideologically predisposed to oppose regulation acknowledge that the HMDA and the CRA have had positive impact. “It appears that, at least in some instances, the CRA has served as a catalyst, inducing banks to enter underserved markets that they might otherwise have ignored,” said Federal Reserve chairman Ben Bernanke in a 2007 speech. “At its most successful, the CRA may have had a multiplier effect, supplementing its direct impact by stimulating new market-based, profit-driven economic activity in lower-income neighborhoods.”⁷ Bernanke, a conservative economist, previous-

ly served as chairman of President George W. Bush's Council of Economic Advisers.

One thing is clear. With proper doses of sunshine, regulation and community pressure over the past 30 years, banks found a way to make profitable loans while also allowing more Americans to benefit from their industry.

If profit is the bottom line for banks, impact is the bottom line for foundations. Foundations exist for the purpose of having impact on the issues and causes they were founded to address. Will sunshine, regulation and community pressure for diversity have a negative impact on foundations' ability to achieve impact?

Just as banks opposed the HMDA and the CRA by saying that loans are approved based on creditworthiness, many foundation leaders contest AB 624 by asserting that they make grant decisions based on which organizations they believe are likely to be most effective and have maximum impact on the issues important to the foundation, not on race or other demographic considerations.

But grantmakers don't have to choose between being effective or embracing racial equity and diversity. Improving the societal impact of foundations and improv-

For the past decade, foundations have been advancing their ability to measure the impact of their work and that of their grantees. They're getting better at knowing whether or not they're making a difference. They should continue their efforts on this front.

But we also need better data on diversity in philanthropy. Improving diversity will help foundations increase their impact while ensuring that those with the least wealth and opportunity are benefiting sufficiently from their work. But no one can demonstrate progress on this front if grantmaking institutions don't measure and report on key diversity metrics. When the only diversity data that are available show clearly that communities of color are getting shortchanged, elected officials can and should start raising questions.⁹

If foundations are doing more to benefit lower-income communities and communities of color than is reflected by the current data, then they should create better reporting systems so that the data will reflect reality more accurately. The Foundation Center has been commissioned to conduct research in this vein by California foundations opposed to AB 624, and NCRP will study its report with great interest when it is released. But if the current data are even close to accurate, my guess is that elected leaders who represent poor and marginalized communities will feel the public is not getting their money's worth from the tax subsidies provided to philanthropy.

AB 624 has its flaws, but there is no question that foundations should embrace both diversity and effectiveness to ensure maximum public benefit from the valuable and limited resources that are entrusted to them. And no foundation can claim legitimately that it is serious about embracing diversity if it doesn't measure it.

Aaron Dorfman is the executive director of NCRP.

NOTES

1. NCRP, *Creating a Philanthropic Sector that Is More Responsive to the Needs of Diverse Communities* (comments submitted to the House Committee on Ways and Means, Subcommittee on Oversight, September 25, 2007), http://www.ncrp.org/downloads/Statements/NCRP_Comments_Grantmaker_Responsiveness_to_Diverse_Communities.pdf.
2. For detailed information about the HMDA from the Federal Deposit Insurance Corporation, visit: <http://www.fdic.gov/regulations/>

Grantmakers don't have to choose between being effective or embracing racial equity and diversity.

ing their support for diverse communities need not be mutually exclusive propositions. In fact, there is growing evidence that diversity and effectiveness go hand in hand.

A recent book, *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools and Societies*, by University of Michigan professor Scott E. Page shows convincingly that diverse organizations actually outperform more homogenous ones. "Diverse boards of directors make better decisions, the most innovative companies are diverse," he states in an interview with *The New York Times*.⁸

Foundation leaders who want results should consider seriously Page's research. Grantmakers should embrace both diversity and effectiveness, and they should persistently seek to improve on both fronts. They need to go beyond race, gender and sexual orientation and also include class, to ensure that elites of different races aren't the only voices listened to in philanthropy.

- compliance/handbook/chp5.html.
3. For detailed information about the CRA from the Federal Deposit Insurance Corporation, visit: <http://www.fdic.gov/regulations/compliance/handbook/chp11.html>.
 4. Griffith L. Garwood and Dolores S. Smith, "The Community Reinvestment Act: Evolution and current issues - includes related article on performance factors," *Federal Reserve Bulletin*, April 1993, http://findarticles.com/p/articles/mi_m4126/is_n4_v79/ai_13815135/pg_1.
 5. Various sources show increasing home ownership rates and also show the slight decline in the gap for home ownership rates between whites and minorities. See <http://www.infoplease.com/ipa/A0883976.html> or <http://www.census.gov/hhes/www/housing/hvs/annual02/ann02t20.html> or http://www.fanniemae.foundation.org/programs/census_notes_7.html. Additionally, it should be noted that the recent problems with foreclosures were precipitated primarily by non-bank lending institutions not governed by HMDA and CRA.
 6. John Taylor, *The Community Reinvestment Act: Thirty Years of Accomplishments, But Challenges Remain* (written testimony submitted to the House Financial Services Committee, February 13, 2008), http://www.ncrc.org/images/stories/mediaCenter_testimony/john%20taylor%20cra%20testimony%202-13-08.pdf.
 7. Ben Bernanke, *The Community Reinvestment Act: Its Evolution and New Challenges* (speech delivered at the Community Affairs Research Conference, March 30, 2007), <http://www.federalreserve.gov/newsevents/speech/bernanke20070330a.htm>.
 8. Claudia Dreifus, "In Professor's Model, Diversity=Productivity," *The New York Times*, January 8, 2008, http://www.nytimes.com/2008/01/08/science/08conv.html?_r=1&oref=slogin.
 9. Will Pittz and Rinku Sen, *Shortchanged: Foundation Giving and Communities of Color*, (New York: Applied Research Center), <http://www.arc.org/content/view/271/48/>.

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Rip Rapson

Kresge President and CEO Talks About New Values-Centered Grantmaking

By Kristina C. Moore

For more than 83 years, the Detroit-based Kresge Foundation has helped build the country's nonprofit infrastructure, from libraries and schools to food banks and community centers. This \$3.9 billion private foundation recently unveiled a new values-centered approach to its grantmaking as its way of responding to the pressing needs of our society. The nine values that represent its strategic priorities are: creating opportunity, community impact, institutional transformation, risk, environmental conservation, innovation, collaboration, underserved geography and diversity.

NCRP communications director Kristina Moore interviewed Kresge Foundation president and CEO Rip Rapson about Kresge's new approach to grantmaking, the challenges it faced in implementing the changes and lessons learned.

Kristina Moore: Can you tell us more about a set of new values that the Kresge Foundation recently adopted for its grantmaking?

Rip Rapson: Our values aren't really new. Many have been quietly guiding our efforts for a long time. What's new is that we've made them the centerpiece of our grantmaking process. For many years, Kresge has developed and refined an approach to grantmaking that relied heavily on challenge grants for building campaigns. The result was thousands of grants that were clearly beneficial, helping countless organizations complete important projects, build a stronger donor base and strengthen their boards and staff. But the challenge grant was a neutral tool. It focused mostly on the robustness of an organization's fundraising model and less on the grant's purpose or the direction of the grantee's mission.

My arrival afforded an opportunity to reflect on how, going forward, we could best meet the needs of the nonprofit sector. Our conclusion was that we could expand our approach, building on the powerful legacy we've developed over the years. That could happen in a number of ways.

First, we began by developing a set of questions to inquire about the purpose of an organization or a partic-

ular project. These questions reflected the values we felt were important to our decision-making process. Whether the project advanced low-income opportunity. Whether it had a broader impact beyond a discrete project. Whether it promoted innovation or cross-sector collaboration. Whether it advanced environmental stewardship. And the like.

Second, we determined what fields of interest we wanted to focus on, how those fields were changing, and how a particular project would fit into these changing fields. When we combined the contextual question of where the fields were going with our values criteria, we ended up changing rather dramatically the lens through which we look at proposals.

And third, we opened up the idea that facilities capital might not be the form of capital of greatest importance to an organization. They might need early-stage planning capital, working capital, a program related investment, or some other form of capital that would help position them for long-term stability and growth.

Good fundraising used to trump everything else. Fundraising prowess will continue to be important to our deliberations; a project has to reflect good, sound campaign principles. But the values proposition is of paramount importance.

KM: Was there a particular person, or groups of people, within Kresge who was drawn to this change approach? I suspect it involved the buy-in of staff and trustees to get the change going.

RR: Yes, to all that. But I think the precipitating event was the organizational opportunity created by a change in the executive. I think that whenever a new person is brought in to lead an organization, it's an opportune time to objectively ask where the organization finds itself and whether it might be time to consider fresh approaches and new directions. When I interviewed with the board [for my current position], they asked how I viewed their current work, what changes I thought they should make, and how I might go about them. The board was interest-



Rip Rapson

ed in entertaining a different view. They weren't necessarily committing to a specific course of change, but they wanted to understand whether the candidates felt change was appropriate. It became an important factor in their decision-making process.

I took a strong view that we needed to "depreciate" the Kresge asset, evaluating carefully what aspects of our traditional approach continued to have value and needed to be carried forward, and what aspects no longer served us as well and could perhaps be retired. I think we had become overly enamored of and bound to our particular version of the challenge grant model, with its focus on fundraising. And yet, grantees were increasingly providing the feedback that while a new facility can be a terrific, transformative moment in an organization's history, sometimes the greater need is for growth capital or other forms of capital. This feedback spurred us to think more creatively about how we add non-traditional sources of capital to what is already available to the nonprofit sector.

KM: The new approach has placed a greater emphasis on helping organizations that serve low-income and marginalized communities. Do you think that other foundations do enough grantmaking that benefits these groups?

RR: Let me preface my answer by saying that we're not in a position to be judgmental of others. Although our traditional grantmaking may ultimately have benefited low-income communities through the erection of a building, that result was an indirect consequence rather than a primary purpose of our grantmaking.

But to answer your question, I am struck by how foundations do try to address the needs of marginalized groups. It is one of private philanthropy's defining qualities, and part of a very proud tradition. Do enough people do it? Probably not. But when you think of Annie E. Casey, Ford, Rockefeller, MacArthur, and so many other large private foundations that are Kresge's counterparts, there is in evidence a deep—perhaps even profound—commitment to issues of opportunity and social justice.

Can we nevertheless be more effective as a sector? Absolutely. It was the examples of those fine organizations that inspired Kresge to aspire to do more than

we were doing. Our intentions were good. But we were playing it safe, hoping that funding a building would strengthen the nonprofit, which would in turn strengthen a community. That undoubtedly happened. Again, however, it was an approach that failed to confront the tough issues head-on. The hard-edged, high-risk, difficult work of really helping people chart their own course in the most impoverished communities in our country wasn't on our radar. We've concluded that it has to be.

KM: What obstacles did the foundation face in designing and implementing this new approach to funding?

The hard-edged, high-risk, difficult work of really helping people chart their own course in the most impoverished communities in our country wasn't on our radar. We've concluded that it has to be.

RR: There were impediments in nearly every direction we turned. There was, for example, a pretty powerful institutional tradition at play. We had been working in a certain way for a very long time, so it was not at all clear how to turn the boat in a different direction while not doing violence to expectations that people had of us. There are many grantees that used to be highly competitive for a Kresge grant that may no longer be. We don't take that lightly, and we certainly don't want to pull abruptly the rug out from under entire groups of potential grantees without some element of fair play. The whole question of how we manage the change process within the grantee community has been a priority for us.

There was also the very strong tug of institutional inertia. Our very capable staff had been working in a certain way for a very long time. How do you rally people to think anew about grantmaking? How do you figure out internal mechanisms that help people work differently? We're still wrestling with this and trying to determine ways to increase effectiveness.

We just completed a Center for Effective Philanthropy survey¹ in which we were compared to other foundations in terms of grantee perceptions. It essentially confirmed what we already knew, which was that grantees thought we could do a much better job at having an influence in our fields, on communities and on the

organizations themselves. They said that we needed to dramatically re-tool the way we operated because we tended to be bureaucratic, highly formalistic, and, at times, insufficiently attuned to nonprofit needs.

The survey also indicated that we were missing a whole slice of the nonprofit world—organizations that were smaller, less sophisticated about fundraising, not as far along in their campaigns. It suggested we might want to be more flexible in how we responded to their requests.

And it is one thing to say we are moving away from something and an entirely different thing to ask what we are moving toward. What are the other forms of support that we want to offer organizations? How do we build out that tool box of early business planning, working capital, PRIs or innovative capital that I mentioned earlier?

We weren't helping organizations decide whether or not to conduct building campaigns. We weren't asking whether they could sustain the programs that went on inside the buildings. We weren't asking whether the building helped reposition the organization for the long-term.

It is important for Kresge to expand its tool box if we want to view organizations holistically. We want nonprofits to tell us who they are, where they want to go, and what forms of support would be most effective. It's very retail grantmaking, and we know that asking these kinds of questions and customizing the toolkit for folks is very time-intensive. That's the challenge for us. We need to find balance between making challenge grants and the more customized grantmaking I've described.

An expanded tool box permits us to think less about

capital challenge grants specifically and more about the capitalization needs of the nonprofit sector. Edna McConnell Clark and a few others are looking at capitalization in innovative ways. But Kresge is one of the few national organizations that over time has focused on this question. If we broaden the conversation about different forms of capital—not just facilities capital—I think we can offer something valuable to the nonprofit world.

KM: Tell us more about the difficulties you are facing in managing your presence in the grantee community.



Photo: Yolanda Turner

Kresge Foundation supports organizations like Crossroads of Michigan, which provide emergency assistance, advocacy and counseling to those in need.

KM: Why was it important for the foundation to expand the kinds of support it provides? Why change when you already were making a difference?

RR: As I've noted, we've clearly made a difference but, in deconstructing the impact we have had, we found that perhaps the impact wasn't quite as great as we hoped. Organizations were using our grants to become more disciplined, more focused and more professionalized in their approach to fundraising. But ours was a back-end influence. We entered fairly late into the game and provided challenge grants so that nonprofits could use those grants to increase the organization's long-term fundraising capac-

RR: Last year, I was asked by a group of small, liberal arts colleges – some of the finest in the United States – to talk to their development staffs about our new values criteria and how they will have stiffer competition given our new grantmaking system. Of the 80 or so institutions represented, about 70 were Kresge grant recipients. These are institutions that play an important role in higher education in the country and are sophisticated about development.

Probably 10 people in the audience came up to me afterward and voiced objections. But about 30 others came and expressed understanding, agreeing with my premise that since they're well-endowed and have

good access to donors through their board of directors, they don't really need Kresge grants to the same extent they might have in the past. They agreed that they have grown more sophisticated over the last decade and that fundraising practices have, in effect, internalized the Kresge method. Another 20 people said we were doing the right thing and asked if they could come to Kresge if there was a project important to their institution that met our criteria. My answer, of course, was absolutely. We would love to see any one of these institutions demonstrate how it is advancing our values and having a beneficial impact on its surrounding community.

KM: Can you give us one example of a project that you support now that you wouldn't have supported before?

RR: One of the great pleasures of having watched this process evolve over the last year is how many examples of exactly this kind there have been.

One example is Rust College in Mississippi. Rust asked us for a grant to help with the construction of its math and science center and the renovation of an existing science facility. This is a historically black liberal arts college founded in the mid-19th century. It's one of the oldest still in operation. Its student profile is predominantly low-income kids. About 60 percent of freshmen come from the 23 poorest counties of northern Mississippi and almost 90 percent of students receive Pell grants, which is a good way of measuring need. The request never would have passed our fundraising hurdles for many technical reasons. But we were compelled by the nature of the organization, the clients it serves, and the curriculum, which is designed to help first-generation college students succeed and stay past their freshmen year. Rust's grant offered us a wonderful opportunity to think differently. It is an example of a grant we would not have made two years ago, but that we're excited and proud to make now.

KM: You also streamlined the grantmaking process. Why was this important to do? What are the benefits as a funder and for grantees?

RR: On the grantee side, applying for a Kresge grant was as arduous a process as any that probably exist in philanthropy. It was legendary. If you were awarded a Kresge grant, you probably could get a grant from anybody. In fact, we had become a sort of Good Housekeeping seal. We've talked to other foundations that told us they don't even bother with due diligence if they know an organi-

zation has received a Kresge grant. They know we were so thorough, so rigorous, so disciplined that it wasn't necessary to put the organization through the due diligence process again. I think many grantees were highly appreciative of our process. It forced them to become disciplined, to ask all the hard questions and to get all their ducks lined up.

But in moments of greater candor, grantees would tell us that it wasn't necessary to do all of the layers of analyses. We're now striving for the middle ground—preserving the discipline of the Kresge process, including our expertise on what works and what doesn't in capital campaigns, but also being more respectful of the different ways people complete a campaign. People know what they're doing. If we get a request that is not realistic about its fundraising goals or strategies, then that's a different matter.

You asked a really good question about its effect internally. Kresge's grantmaking machinery had become mind-numbingly complex. It was geared toward subtle, nuanced, highly technical aspects of fundraising. In trying to simplify, clarify and make more strategic the questions we ask of grantees, as well as what we want the grant to accomplish, we are inevitably changing the culture of a place. This new approach has allowed our staff to be more creative, to interact differently with grantees, to ask thoughtful questions, to search out a variety of objectives. We are working smarter, more thoughtfully, with more agility and, over the long term, with more effectiveness. We will have a very different relationship with our grantees going forward.

One tangible way this is happening is through our new letter of intent process. Previously, Kresge applications came in hundred-page installments. Now, in five pages, we ask grantseekers to tell us what they want to do and to align it with the values listed on our Web site. We've committed to responding back to them within a month to six weeks. If what they are proposing is promising, we'll ask for the additional information we will need to build out the proposal and make a final determination.

We hope that in the end there will be more conversation with our grantees. In the past, once a grantseeker had submitted an application, that was it. You didn't talk to a program officer. It is a priority for me and all of us at Kresge to consider how we interact with grantees in order to get the best information from them, to make sure we are doing the right things and to understand their work better. Hopefully, this commitment to conversation will help inform our grantmaking.

KM: How do you measure success in your grantmaking?

RR: Previously, our measure of success was whether a building got built. We hoped and had every reason to believe that the building would expand the capacity of the organization: more donors, more engaged board, et cetera. But we had no empirical basis from which to draw those conclusions.

In the new system, we are now in the same realm as every other foundation in the country. We have to figure out our grantees' metrics, what they're trying to

The second lesson is the difficulty in communicating change while in the middle of it. It's tempting to wait until it's finished. There are folks who have handled it that way because it's cleaner, but our view is that it's essential to communicate as much as you know as early as you can. People are tolerant of a change process as long as you're honest about the large amount of ambiguity and uncertainty involved. We aren't quite sure how things will look, how the processes will change, how we'll do our measurements, but we think it would be fair to share this with others and invite their reactions.

As I've mentioned, we've received many comments and those reactions were informative. We've gotten enormously helpful feedback from grantees, other foundations, the Center on Effective Philanthropy, and a spectrum of folks from the nonprofit world

Particularly in times of such turbulence and dislocation ... especially in this country, Kresge's assets are too precious to squander. So, reassessing the highest use of our investment is reason enough for change.

accomplish, and the balance between cold, objective processes and analyses and the more anecdotal sense that you're helping a field move differently, changing behavior or helping an organization reach a different level of work.

As we look at a more complicated capitalization structure, we're going to increasingly include benchmarks of progress. We'll be able to see the return on investment in tangible terms if we're focused on the capital work. It becomes a little more complicated if we're saying we would like to have an impact on climate change adaptation strategies in the upper Midwest. I think the best we can do is become more active participants in philanthropic networks that struggle with these questions. This is new territory for Kresge.

KM: What lessons learned would you share with other foundations considering major changes to their grantmaking?

RR: First, it's important to be clear about what from your past continues to serve you well. It has been critical for our trustees, grantees and staff to understand that a considerable amount of what we did was valuable. You shouldn't throw the baby out with the bathwater. You need to look at the good things that you've been doing because there's the temptation in the change process to simply start over.

who care about Kresge being the most beneficial presence it can be.

A third lesson, which is more of a motivation than a lesson, is that particularly in times of such turbulence and dislocation around the world, especially in this country, Kresge's assets are too precious to squander. So, reassessing the highest use of our investment is reason enough for change. Heaven forbid, we become so complacent that what's good enough is good enough.

In some ways, there was absolutely nothing wrong with Kresge. It had a strong brand, was doing good work and was having impact in lots of directions. But our view is that the world is a more complex place than it was 20 years ago when we began this kind of grantmaking. We owed it to ourselves and the community to ask if our values, tools and approaches best served the community's needs as they now present themselves. Our conclusion was that they did not and we needed to recalibrate.

There always is a case for change. How much or how little, every institution will have to sort through that for itself. In our case, it was substantial.

NOTES

1. A copy of the survey and a discussion of the results is available on the foundation Web site, www.kresge.org.

10 Best Practices for Strategic Philanthropy to Advance Civil Rights

By Greg and Maria Jobin-Leeds

The steady erosion of opportunities, especially opportunities brought about by the 1954 U.S. Supreme Court *Brown v. Board of Education* school desegregation ruling, is a battle cry to all philanthropists dedicated to dismantling structural racism and improving the quality of public education for our nation's most underserved children. Now more than ever, philanthropists driven by fairness need to be more strategic in how we think about and direct our resources.

We want to share some lessons learned—from our successes and failure—in social justice philanthropy. We operate as a husband and wife team. We focus on making it possible for all families, no matter their zip code, to have their children attend great schools and to participate in the policy decisions that affect them. We each take the lead on different policy-oriented philanthropic and political projects.

We began our philanthropic work in the 1990s, when our extended family's hi-tech media company went public and was sold. With our family's help, we created two foundations: The Schott Foundation for Public Education and the Access Strategies Fund (Access). The Schott Foundation seeks to improve the quality of public education through movement building in Massachusetts and New York. Access works to engage voters in disenfranchised communities to participate more actively in the electoral process, leveraging their voting power to improve public policy.

After 15 years of hard work involving many strategic advisors and funding partners, we saw enormous victories last year in our different program areas. The Schott Foundation received the 2007 *Critical Impact Award* from the Council on Foundations for its successful efforts to reform New York City's school finance system and guarantee an opportunity for a sound basic education for all of the city's students. Schott was an early funder and strategic force in the Campaign for Fiscal Equity's groundbreaking legal victory in 2007, when the New York State legislature voted to enact an unprecedented increase of \$1.76 billion in aid to under-resourced public school students for FY2007–08. Even more significantly, over the next four years, New York will add \$7 bil-



Greg and Maria Jobin-Leeds

lion annually targeted at the most needy school districts across the state. The additional funding will allow smaller class sizes, full day pre-kindergarten, teacher quality initiatives and other time-tested reforms to improve quality and close the racial gap in education.

On a different front, Access's program work played a key role in Massachusetts' recent election of its first African American governor by laying the nonpartisan groundwork that turned out new voters, especially minority voters. In 1999, Access first provid-

ed grants to jump-start the voter mobilization efforts in urban areas. The grantees, led by local organizers from diverse ethnic groups, targeted infrequent voters in low voting districts in Massachusetts, specifically African American, Latino and immigrant communities. Voter turnout increased almost every year of funding, improving the quality of our democracy and closing the racial gap in electoral politics.

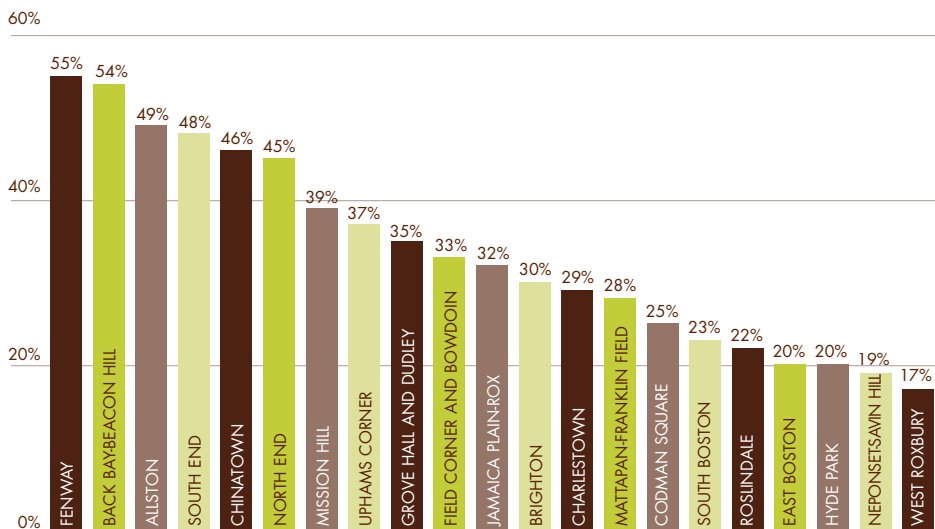
Like The Schott Foundation, Access sought out and joined forces with other funding collaborators to build on this mobilization of disenfranchised communities. Access required its grantees to be fastidious data collectors to confirm they were turning out voters and readjusting the balance of power. It looked for systemic causes and tipping points.

When the 2000 census figures were reported, the black and brown population of Boston had increased, but they were "packed and cracked" into white districts to dilute those ethnic groups' voting power. In response, several Access grantees brought a lawsuit in 2002 against Thomas Finneran, the Massachusetts Speaker of the House, for gerrymandering his own district and others. A federal court agreed that there were "racially biased district maps" and forced a redrafting of the plan.

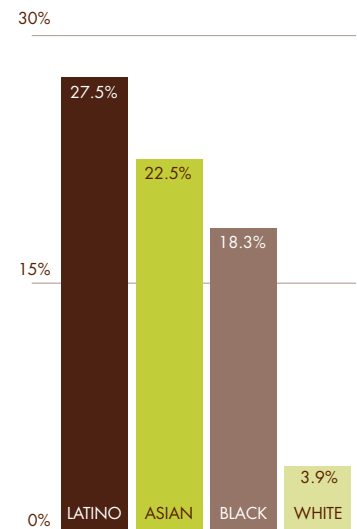
Finneran's testimony to a grand jury hearing the case led to charges of perjury; in 2007, he pled guilty to obstruction of justice charges, but got no jail time and paid a small fine. Finneran had quit as speaker in 2004 to take a job with the Massachusetts Biotechnology Council. In a special election, his seat went to Linda Dorcena Forry, a progressive young daughter of Haitian

BOSTON 2004

Percent Rise in Registrations, 2002–2004



Percent Gain in Turnout in High Ethnicity Precincts in Boston, 2002–2004



immigrants. Our efforts and ultimate successes were made possible through the hard work of allies—funders and practitioners alike.

The most historically underserved communities are, naturally, the most historically underrepresented. The Schott Foundation has focused on providing fairness, access and opportunity to the most underserved through improved public education policy, and Access has done the same with election participation.

Our strategy has been about movement building, not about us leading the charge. We use strategic philanthropy to leverage larger, enduring systemic change. Strategic Philanthropy, in its most essential form, is about thoughtfully investing and orchestrating limited resources to leverage a significantly greater sustainable good. What we have learned from the past nine years' programming can be summarized best in our 10 Best Practices of Strategic Philanthropy:

1. Have a clear analysis of what is wrong: Understand the forces behind the status quo. State politics is a game with arcane rules, which must be mastered to win. Observe how race, class and gender impact the problem—often subtly, but insidiously—in structures and institutions. Look at the interconnections of your issue and other issues (for instance, the impact of housing on education). Get hard data and good advice to inform your actions.

2. Develop roadmaps and focus on results: Create logic models, such as identifying the intended impact, mapping backward from the goal you want to reach. Establish milestones that get you to measurable points of success. Focus appropriate resources at the tipping point of poli-

cies and the structures of racism. Surround the issue with an array of grants in support of nonprofits and programs that work on policy, public will/framing, grassroots community organizing and diverse leadership development. Measure short- and long-term outcomes.

3. Include community leaders at all levels: Excellence is the result of inclusion, not exclusion. You can't advocate successfully for lower income communities and communities of color unless the face and practice of your foundation and grantees reflect diversity. Recipient community leaders should participate in all stages of project development. Never hold a high-level meeting without representatives of the community you intend to impact. Do not replicate the problem you are trying to solve.

4. Find and empower talented successful, indigenous leaders: Help them build strong organizations. Fund the organizations with a long-term commitment and broad support. Be there for them in emergencies and for breakthrough opportunities. Help make them successful. It is best to give them general operating, not restricted, dollars. Use your position to help raise funds for them through donor organizing/leveraging. Be a great foundation for grantees and other funders to work with.

5. Frame your message and ground yourself in values: Use strategic communications to effectively employ the softer art of manifesting values, such as the right to learn, to participate fairly in democracy and to access health care.

6. Do everything with undaunting integrity: Be human. Never betray your allies and the people whose lives you seek to impact. Walk your talk. *(continued on page 15)*

Supporting Community Organizing

(continued from page 1)

IDENTIFYING THE CHALLENGE

Ford long has valued community organizing as an essential means for developing fair and effective public policies, and for ensuring that public officials and other leaders are accountable to local communities. Since the 1960s, it has considered community organizing as central to building *civic capacity*, defined as the ability “of various sectors of the community to devise and employ formal and informal mechanisms to collectively solve problems.”¹ In 1998, when I arrived at Ford, we routinely funded community organizations in many portfolios, such as women’s rights, working families, school reform and racial justice. While we used different terms for these efforts, such as “constituency building” or “civic capacity-building,” it was clear that Ford was supporting an eclectic and important array of organizing models.

Yet, we realized that several key differences in the way our organizations operate might be preventing our grants from reaching their full potential:

- While our grant programs generally focus on specific fields, community organizations worked on multiple issues, and rarely could be classified within a single field.
- The relatively large size of our grants meant they were best-suited for large organizations, yet exciting work in organizing often was happening in smaller, nascent groups operating below our radar.
- Our programs tended to be national or global in scope, but community organizations often were based in neighborhoods.

SPARKING INNOVATION THROUGH COLLABORATION

Given these challenges, we asked ourselves, “Can greater collaboration help us improve our funding of community organizing?” Our goal was to build the capacity of groups working collectively on multiple issues of concern to us, rather than to any one portfolio. We wanted to see stronger coalitions to push for policy reforms, and hoped

FORD’S FUND FOR COMMUNITY ORGANIZING (FCO) OBJECTIVES AND BENCHMARKS FOR SUCCESS OF IMPLEMENTATION GRANTS²

3-YEAR OBJECTIVES

1. Strengthened organizational capacities of grassroots community groups
2. Heightened prominence of COs in local and/or state or regional-level debates and decision making, and increased success of COs on multi-issue reform agendas
3. Greater networking of COs in selected region(s)
4. Increased support for CO groups

INDICATORS OF PROGRESS

- > Increased membership of community organizations (COs)
- > Increased and diversified funding base of COs
- > Broadened base of organizational leadership
- > Increased CO representation during formal policy discussions (e.g., hearings, board meetings)
- > Increased media coverage of CO proposals and CO reactions to others’ proposals
- > Increased adoption of CO proposals in multiple social policies (e.g., racial justice, economic rights, education reform)
- > Increased number of meetings across COs in a region
- > Broadened number of issues upon which individual COs take action
- > Greater establishment of formal or informal coalitions
- > Increased grant support from regional and national foundations to initiative COs as well as other COs
- > Increased number of foundations making grants to COs
- > Establishment of a ‘funders’ collaborative’ in the target region

our support might leverage local funding. With these goals in mind, in 1998 we began to explore an internal Ford collaboration, including reviewing the pros and cons of other funders' collaboratives. Our exploration culminated in 2000 with the launch of the Fund for Community Organizing or FCO. The FCO's goals were to: (1) strengthen capacity of the funded community organizations; (2) build coalitions among the organizations and others to achieve wins on policy issues; and, (3) foster greater local understanding and support locally (see table on page 13).

In 2000, the FCO pooled \$4.5 million in funds from 10 program staff budgets. We issued an RFP to key local funders in select cities or regions that we believed were near a 'tipping point' on policy reforms, where community organizing efforts could push such reforms forward within a three-year time frame, and where local funders had shown some support for organizing. The key local funding partners had expertise in supporting community organizing and networking of organizations, and the capacity to create forums for other local donors interested in funding organizing.

In the summer of 2000, we recommended three grants, each at \$1.5 million for three years. Each of these grants went to a lead local funder, which then worked with other local funders to re-grant dollars to their community organizations. The three sites (and lead funder/grantees) were Chicago (Wieboldt Foundation, and then Woods Fund), Los Angeles (Liberty Hill Foundation), and a seven-state region of the American South (Southern Partners Fund of Atlanta).

We believed that a collaborative fund to support capacity-building would enable groups to work more effectively across many issues of concern and might attract a broader array of local donors who worked in various fields. Because grantees would approach a range of problems using community organizing strategies, important lessons about the utility of organizing across fields might be generated.

The FCO was unique because of the extent and depth of the collaboration among Ford program staff. By the time final grants were approved under the FCO in 2004, about 30 Ford grantmakers had contributed funds, actively participated in our committee meetings or attended sites visits. At least two grantmakers from every program within the Foundation contributed resources from their budgets to our shared pool of funds, which eventually totaled \$9.3 million.

BUILDING ON SUCCESS

By 2003, the evaluation team and Ford staff were noticing remarkable developments. Besides numerous policy wins on issues such as living wage and predatory lending, organizations in Chicago and Los Angeles were coalescing more intensively than ever before on major citywide issues. The local funders in all three sites also had begun to coalesce, and the Chicago funders were committing new dollars to partially sustain the work, anticipating the end of Ford support.

At Ford, as staff turned over or moved to other positions, new program staff joined the effort to learn about the FCO's accomplishments and consider next steps. Foundation leadership grew more interested and some began attending meetings with evaluators and staff.

Despite tight funding in 2003, we determined that the efforts underway required one more round of funding to mature, and so we pooled a total of \$2.2 million dollars to re-fund the three sites through 2005 or 2006. In 2004, we decided to explore replication, and collected another \$2 million to fund two expansion sites, Denver and Miami/Central Florida, for two years. We hired a consultant to help develop cross-site learning opportunities, and funded the continued evaluation of all five sites.

The initiative drew to a close in 2006, and we are in the process of completing a final evaluation report.

LESSONS LEARNED

In many ways, the FCO was a great success. In all five sites, we saw significant progress towards FCO goals, including:

- Strengthened organizational capacities, including increased membership, larger and more diversified funding, and stronger board and management practices;
- Numerous policy wins on issues such as living wage campaigns, back wages for immigrant workers, and predatory lending, resulting in billions of new dollars flowing to low-income communities of color;
- Greater and more favorable media coverage of organizing campaigns in major news outlets such as the *Chicago Tribune*, *Los Angeles Times*, *Denver Post* and local TV stations; and,
- Increased local funding for community organizations both in number of funders and in total grant dollars.

Yet behind these individual successes were even more significant collective achievements, both for community organizing and philanthropy itself. First, funders and

10 Best Practices

(continued from page 12)

community organizations began to work together in new ways, forging effective and evolving divisions of labor among multiple funders and community organizations on key policy issues. Our evaluation team sees these collaborative processes as a qualitative leap forward in building the civic capacity needed for effective movements for progressive social change.

Second, these new relationships are helping to address deep-seated challenges in movement-building, such as strengthening African American/Latino coalitions and addressing core issues that cut across multiple issue areas, such as public transportation and zoning regulations for development.

Finally, the FCO has demonstrated an effective model for how a large foundation can partner with local funders to strengthen civic capacity across multiple issues. By funding the infrastructure of community organizing, we are seeing payoffs in all of our fields. And by developing a workable division of labor between Ford and local funders we have developed a model for national-local funder partnerships that now is being replicated in fields such as school reform.

LOOKING AHEAD

We hope that these achievements will help pave the way for new commitments from additional funders. We believe that the FCO has highlighted the cost-effectiveness of community organizing as a strategy for broad policy reforms. And we hope that our evaluation, which points to the remarkable sophistication, complexity and variety in organizing, will help motivate funders who remain hesitant to invest in this core strategy for progressive social change. We believe that the payoffs to supporting community organizing through long-term, significant funding can be immense—for greater civic capacity, stronger and fairer public policies, real improvements in the lives of people of color and low-income communities, and for a vibrant and just U.S. democracy.

Cyrus Driver is the Deputy Director for Education, Sexuality, Religion at the Ford Foundation.

NOTES

1. C.S. Stone, J.R. Henig, B.D. Jones, and C. Pierannunzi, *Building Civic Capacity: The Politics of Reforming Urban Schools* (Kansas: University of Kansas Press, 2001), p. 4-5, 27.
2. Ford Foundation Fund for Community Organizing Request for Proposals, April 2000.

Create a great foundation for passionate employees to work for.

7. Impact the fields in which you work and apply philanthropy's strategic advantages: Unlike government agencies and most corporations, philanthropies have the rare ability to take risks, put a stake in the ground and take stands that are ahead of our time. We can react quickly, and even fail. So, in a respectful way, shape the enduring context and culture of philanthropy, education and politics for the good of those who will follow, even as you focus on concrete outcomes today. Be a philanthropic pillar, a convener, and create space for difficult issues to be brought forward.

8. Foster community organizing as the root of all change: Old fashioned, roll-up-your sleeves grassroots organizing still is the gold standard of effective change. Media campaigns may provide air cover, but you need to go door-to-door to make the chemistry happen. Look for bottom-up, decentralized, contagious and infectious strategies that build community. Fund good Internet organizing, but make sure it is combined with grassroots events. Make sure the efforts are deeper than just the number of "hits."

9. Bring a wealth of first-hand experience: Ground and surround yourself in the struggles of poor people, to raise your own consciousness, and make smart informed investments to help them achieve positive change.

10. Invest your assets in ways that support your vision and mission: Make sure your endowment investing strategy is aligned with your grantmaking mission so they mutually reinforce each other.

Our experience has taught us that to achieve the threshold of effectiveness in these complex times, one must be strategic. If you are a philanthropist, be a strategic philanthropist.

Greg Jobin-Leeds is chair of The Schott Foundation for Public Education and Maria Jobin-Leeds chairs the Access Strategies Fund, both located in Cambridge, Mass. Together they run the Partnership for Democracy and Education.

New from NCRP

Strategic Plan 2008–2012

September 2007

The NCRP board of directors approved a strategic plan that will guide the organization's programming for the next five years. The strategic plan is the result of several months of intensive collaboration between NCRP's board, staff and consultants from the TCC Group, as well as the invaluable input from a diverse group representing the philanthropic communities.

Strategic Grantmaking: Conservative Foundations and the School Privatization Movement

November 2007

What have conservative foundations done with their grant dollars to promote concepts of privatizing public education through "school choice," primarily linked to school vouchers and tax credits? What were their strategies in providing resources to an array of conservative education think tanks, public policy advocates and organizers?

In this report, author Rick Cohen shows how philanthropic capital from small and large foundations has helped build political support for the school privatization agenda using movement-building grantmaking strategies.

visit: www.ncrp.org/publications/index.asp

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