

Multiyear and Unrestricted: The Grants of Nonprofit Dreams Come to Life

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“FROGS AND BUGS” BY HELT SORT/WWW.HELT SORT.COM

This introduces a cluster of articles in the winter 2018 edition of the Nonprofit Quarterly that’s aimed explicitly at encouraging grantmaking foundations to review their own practices, specifically the common practices of 1) limiting most grants to one-year periods, and 2) making grants that are restricted in terms of their use. These outdated habits encourage a host of unproductive dynamics within and between nonprofits and the foundations that fund them. The articles in this section, coming later this week, highlight two longstanding foundations that have taken new directions with their grantmaking in an effort to build power and sustainability among their grantees: the Ford Foundation and the Edna McConnell Clark Foundation, but in this piece, we contrast the notion of trust-based with suspicion-based philanthropy and emphasize the thinking of the Whitman Foundation.

As a source of revenue for ongoing work, foundation grants can be frustrating for a number of reasons. But the good news is that those aspects that make them sometimes frustrating can be changed with a redesign that more closely interrogates the assumptions on which grants are currently made. Specifically, in this cluster we look at two instances of grantmaking based on the intention to build power and sustainability among grantees who closely reflect the focus and intention of the foundations: the Ford Foundation, as embodied in its BUILD program, and the Edna McConnell Clark Foundation (EMCF).

These two foundations have significant differences—in focus and in what they are looking for in grantees—but they are both working with a grant

form that defies the philanthropic norm and is arguably more useful in building long-term capacity and effectiveness for grantees and the work they are engaged in. Put simply, the philanthropic norm is a “short leash,” involving one-year grants monitored for the proportion they comprise of the overall budget, and often provided for relatively restricted purposes.

The far-end alternative, which we briefly describe in the following two articles, comprises multiyear, relatively unrestricted grants of sufficient size to allow grantees to holistically and nimbly develop and improve the quality, and sometimes the reach, of their work. This category of grant is built on trust and mutual learning and respect. The Whitman Institute calls the form “Trust-Based Philanthropy,” contrasting it briefly but profoundly with “suspicion-based” philanthropy, and lays out the principles as follows [on its website](#):

Key Principles of Trust-Based Philanthropy

Provide Unrestricted, Multi-Year Funding

The clearest way to demonstrate trust is to rely on the grantee to determine the best use of its resources. Unrestricted funding also kindles the freedom to learn, adapt, and take risks. It is critical in supporting an organization’s sustainability and effectiveness.

We Do the Homework

The burden of proof in determining whether a leader and organization are a good fit for our portfolio is on us. We do the footwork and conduct the due diligence before inviting leaders to invest their time and attention.

Partner in a Spirit of Service

We enter collaborations with humility by listening first and responding directly to the needs of our partners. Universally, they have much more knowledge of their work, fields, and challenges than we do. We place

ourselves shoulder to shoulder, not ahead of, our grantee partners as we iterate and learn, together.

Transparent and Responsive Communication

Our two Co-Executive Directors, who are also Trustees, operate with an open-door policy. We acknowledge and send requests in timely ways so as not to surprise or overburden our partners, who are busy changing the world. We also strive to model transparency in ways that minimize power dynamics and move the work forward.

Solicit and Act on Feedback

We actively partner with leaders and organizations whose work models relationship, dialogue, and equity in ways that inspire and inform our own. We also regularly solicit, reflect on, and take action on feedback from our grantees.

Simplify and Streamline Paperwork

We seek to minimize our digital and paper footprint with grantees, and are generally quite satisfied with proposals and reports crafted for other funders. We also look for opportunities to consolidate our respective due diligence efforts.

Support Beyond the Check

We are committed to offering support beyond money if our grantees see it as helpful. Some of the ways we do this include opening doors; highlighting their leadership and work; being a sounding board and source of advice; providing spaces for reflection; hosting restorative retreats geared toward inspiration and renewal; and, generally, being of service where needed to bolster leadership and organizational capacity.

The Whitman Institute, itself a funder, contends that these grantmaking practices “help build stronger relationships; healthier, more effective organizations; and, if implemented widely, hold the potential to transform our sector” (as John Esterle wrote in “Putting Trust at the

Center of Foundation Work,” a blog entry on The Whitman Institute’s website). Esterle continued: “When we provide unrestricted support, we find that we start our relationships with grantees from a place of trust, rather than implicit distrust. And when that happens, something shifts in the power dynamic. The imbalance doesn’t completely go away, but it is mitigated and a different kind of conversation begins. Multiyear support encourages people to really talk openly about what’s going on in their work without fear that they may be penalized in the form of funding not renewed.”

One inherent problem with trust-based funding is that it can restrict the foundation’s ability to fund emergent groups and issues. Indeed, The Whitman Institute—a far smaller funder than Ford and EMCF—takes a dual approach to its own funding that includes multiyear, unrestricted funding while making targeted grants to support emerging opportunities as they arise. But the other often-cited issue is that the concentration of revenue for one group (or set of groups) may solidify it as a “leader” in the field, when that dynamic may not be useful to the field in the long run. This necessitates a different kind of involvement of the funder in the field being impacted, as is reflected in the above principles.

Thus, in the long run, while trust-based philanthropy lessens the effects of the basic power dynamic between funder and grantee, both parties must still work hard to make it function well for the communities and fields affected.

As The Whitman Institute, EMCF, and the Ford Foundation’s practices suggest, funders can mix types of grantmaking to mitigate some of the potential negative narrowing effects of trust-based philanthropy. But the proven negative effects of suspicion-based philanthropy, which often retards natural nonprofit development, should be enough to spark others to consider their own assumptions and designs of grantmaking.