FUNDING PERFORMANCE

HOW GREAT DONORS INVEST IN GRANTEE SUCCESS

ARE YOU HELPING GRANTEES SUCCEED—OR TRYING TO CATCH THEM MESSING UP?

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Shortly after I became the CEO of First Place for Youth, an organization dedicated to helping youth transition from foster care to independence, we implemented our first system for collecting rigorous outcomes data. But one prospective funder wasn't happy with what he saw. "Your data show that drug use goes up when they participate in the program," he said. "I can't fund something like that."

Fortunately, he gave me a chance to respond. I told him I was glad he was looking so carefully at our data, because we worked our butts off to collect and analyze it. But drug use was *not* going up. The reality was that we were finally building the kind of trust with kids where they were willing to admit that they were smoking weed. When we conducted one-on-one interviews with our kids, we learned that we had previously given them incentive to lie to us. They feared that if they told the truth, we wouldn't help them.

The reason I'm sharing this story is because many funders do the same thing: They inadvertently set up incentives for grantees to lie to them. They give grantees signals that they're trying to catch grantees messing up rather than working to understand how they can help them succeed.

Lived Experiences

My career in the social sector began not just because of the way I was raised, but *where* I was raised: the Mississippi Delta. I grew up in a small town. We looked out for one another. The value of giving back was instilled in me at a very early age. I saw the opportunities my family was given, and I watched my father's involvement with our community, donating time and money to those who didn't have as much as we did.

I took those lessons with me when I went to run the recreation program at the Boys & Girls Club in Oakland, CA. From there, I landed a job at Larkin Street

Youth Services, an organization focused on supporting homeless youth. At Larkin, I had the opportunity to design and open San Francisco's first homeless shelter for young adults. I very quickly saw that many of the kids walking into my shelter had recently turned 18 and were previously in foster care. Homelessness shouldn't be the exit plan for kids in the foster care system. If I wanted to solve youth homelessness, I had to address the biggest feeder of the challenge—and that's how I landed at First Place.

I was at First Place for 13 years. Tipping Point Community, a funder focused on providing unrestricted funding and capacity-building support to strengthen programs and policies in the Bay Area, was one of my earliest and most supportive funders. They deeply invested in the success of First Place—and in my growth as a leader. Three years ago, I was approached about joining the Tipping Point team. I wasn't looking for a new job, and I had never considered switching from grant-seeker to grantmaker. But because of my admiration for Tipping Point's approach and leadership, I put my hat in the ring. Long story short, I was lucky enough to be offered the job. As a result, my perspective on how foundations can set their grantees up to achieve meaningful, measurable results is now informed by experiences on both sides of the funding table.

My insights are also informed by the powerful, pivotal moment in which we find ourselves. **Rahm Emanuel** famously said, "Never allow a good crisis to go to waste. It's an opportunity to do the things you once thought were impossible." At that time, he and his boss were designing strategies for dealing with one huge crisis: the 2008 recession. Now our country is dealing with *three* huge crises that are amplifying one another: a surging pandemic that's disproportionately killing those with the least, an economic meltdown that's cost millions of people their jobs, and a massive social uprising in protest of police brutality and racial inequities. Philanthropy can't let this triple crisis go to waste. As Ford's **Hilary Pennington** shared in her essay in this collection, we must "move from performative statements that signal our virtue to hard self-examination."

If foundations are, in fact, willing to do this hard work, here are the top three areas I hope they will explore and then act upon so we can start to do the impossible.

Build Genuine Trust With Grantees

In our sector, there's no word that's more overused and misused than "partnership." So I'm going to share a story to illustrate what I mean when I use that word. It's the tale of two funders—one who earned my trust and one who lost it.

Shortly after I arrived at First Place, I received the kind of audit report that I hope to God no other nonprofit ever gets. It looked like *War and Peace*; it was that thick.

There was good reason for our bad audit: I had just transitioned the organization from a cheap, paint-by-numbers auditor ("Here are the forms I need you to fill out") to a real pro who cost us five times as much and had the skills to help us identify our shortcomings and improve.

After I shared that audit with **Daniel Lurie**, the founder and then-CEO of Tipping Point, he was taken aback. "That audit doesn't look so good," he told me via email. But then he asked, "What can we do to help? Let's have a conversation about it." After that, Daniel and his team decided to double down on their support for First Place, which allowed us to fix every problem the auditors found.

Meanwhile, another funder that I won't out—but wish I could, to provoke introspection and improvement—had the opposite reaction. That foundation, which uses the term "partnership" all the time, pulled out of its previously announced $2 million commitment to us.

Even though Tipping Point helped me fill some of that void, the loss of that $2 million gift was devastating. Because we had received a written commitment for the gift, we had already developed ambitious plans for expansion to Los Angeles and had begun hiring accordingly. We weren't able to take advantage of a large contract with the City of Los Angeles—an opportunity that never came up again. Our staff morale sank, and my own confidence took a big hit.

Now that I'm a funder myself, I think about that episode every time I sit down with a grantee. I try very hard to greet bad news with gratitude and curiosity rather than scorn or judgment—just as Tipping Point leaders did with me, seeing through the negative to ask about the "why." They were grateful that I was transparent with them about our struggles, and now I'm grateful when others do the same with me.

I can be much more helpful as a funder if I'm operating with honest, real information rather than sugar-coated talk. It's a two-way street. I'm honest with grantees, and they're honest with me.

Bottom line: If you're not willing to create the space for two-way, trust-based relationships with your grantees, that's your prerogative. But please don't use the word "partnership" on your website.

Own Up to Your Implicit Bias

No institution is free of biases, and that includes mine and yours. Institutions are made up of fallible human beings. And those of us who grew up in the U.S. were raised in a society built on layers and layers of injustice and inequity.

I definitely saw a lack of equity in my time as a nonprofit leader. I didn't always understand it, but I'm gaining more understanding now that I'm in the privileged role of funder. I'm seeing how inequity plays out in funders' daily work.

I'll offer a clear-cut example—another tale of two organizations.

In my first year at Tipping Point, every week I'd get a call or email from an influential person (board member, political leader, etc.) encouraging me to check out a particular organization for potential investment. When I had a chance to sit down with the founder of one of these organizations, I got an elegant PowerPoint presentation befitting her background as a marketing executive in a large company. But when I dug into the details, I saw a fundamental discrepancy between what the founder said the organization had accomplished and what it actually delivered. To be blunt, there was no "there" there—certainly not enough to justify all the funding she was receiving from name-brand tech entrepreneurs.

Around the same time, I had a meeting with a woman leading a smaller organization working on similar issues. The meeting was a bit of a mess, but as I listened to her pitch, which had none of the bells and whistles of the first organization, I could tell that her work was based on a solid theory of change and was achieving tremendous outcomes. She was consistently landing contracts from her city government, but in seven years she had earned only $10,000 in philanthropic support.

As you've probably guessed, the first leader was white and the second was a person of color. The first leader was good at using her privilege to attract funders. She benefited from people making assumptions about her success because of her background. She was able to speak their language. She immediately made people feel comfortable because she was "one of them."

The second leader had no such privilege, PowerPoint prowess, or network. I saw this same dynamic play out when I was raising money at First Place. I can't tell you how many times I saw organizations led by white Ivy Leaguers getting large-scale investments from the same foundations that gave us rounding-error grants—even when those organizations had outcomes inferior to ours.

These days, well-intentioned (white) funders often ask me, "How can we find more leaders of color, those who are more proximate to the problems we want to help solve?" But when I offer my insights, they often tell me that "those leaders don't want to collect data." To that I respond, "They do! They just haven't found funders willing to help them build the systems they need." I know because I was once caught in the same Catch-22.

Bottom line: If you're not willing to examine how racial and other biases play out in your work—from how you construct your pipeline to how you build your board—that's your prerogative. But please don't use the words "equity" or "inclusion" on your PowerPoint slides.

If You Expect High Performance, Invest in It

When I was trapped in the data Catch-22 in my early years at First Place, it was Tipping Point leaders who helped me break free. I told them I wanted to build a data system for tracking outcomes and driving continuous improvement. At the time, they didn't have much more experience with these systems than I did. But they stepped up to help.

And I must admit: I grossly underestimated what it would take to use data well. I learned this the hard way when I hired the legendary leaders **David Hunter** and **Mike Bailin** to help us determine whether we were ready for an external evaluation. We thought David and Mike would be impressed with what we had built. They weren't. In fact, a day and half into our work together, David pulled me aside and said, "This is the most dysfunctional organization I've ever seen." What a gut punch!

I came to realize that being data-driven is not only about having a good technology system; it also has to be about culture. We were forcing our staff to put data into our fancy system, but they weren't buying in. David and Mike helped me see that we needed to develop a plan for how to build a culture that valued data.

Thanks to Tipping Point's initial investment, David and Mike's support, and then the brilliant work of data scientist **Peter York**, First Place subsequently developed human and technology systems focused on *improving*, not just *proving*. We were able to get great insights on who was dropping out of our programs and why, as well as what parts of our programs led to positive outcomes and which didn't. For example, we built sophisticated algorithms that allowed us to see that if we were to do three specific things well with our target population, we would increase our likelihood of success by 20 percent. As a result of all of this work, we began to get recognized by other foundations, and that gave us more dollars to help invest in the disciplines that drive performance.

Bottom line: If you're not willing to help your grantees build the kind of human and technology systems that support learning and improvement, that's your prerogative. But please don't "pester them for more information on results," in the words of ***Mario Morino****.*

Conclusion

Right now, we're all facing three historic challenges: a pandemic, a recession, and stark racial inequity. Funders have the privilege of sitting in a position to create real and sustaining change on all three. If we're going to do that, we have to look in the mirror first. We have to flip the script on who and how we fund. We must acknowledge the very pillars of philanthropy that support the racial inequities we're all working so hard to break down.

What gives me hope is the volume of funders who are now speaking this truth. I believe a sea change is coming—and philanthropy can help advance that change if we can advance ourselves first.

Sam Cobbs is Chief Executive Officer of Tipping Point Community.