

# FUNDING PERFORMANCE

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HOW GREAT DONORS  
INVEST IN  
GRANTEE SUCCESS



IF NOT NOW, WHEN? FROM VIRTUE  
SIGNALING TO HARD SELF EXAMINATION

by Hilary Pennington, Executive Vice President for Programs  
Ford Foundation

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## If Not Now, When?: From Virtue Signaling to Hard Self-Examination

*By Hilary Pennington*

Without exaggeration, this is an existential moment—for our societies and for philanthropy itself. COVID-19 has laid bare longstanding, unacceptable inequities. The pandemic’s disproportionate effect on people of color, combined with outrage at police violence targeting Black and Brown communities, is provoking important conversation and maybe even some behavior change. As cities are suddenly discovering they can decarcerate people imprisoned for low-level crimes or convert empty hotels to housing for the homeless, and the federal government is finding it possible to suspend student debt payments, so too are [foundations discovering](#) that they can provide flexible general-operating support, accelerate grant decisions, and loosen heavy reporting requirements.

Just as society needs to build back better from the pandemic rather than returning to an old normal, so too can philanthropy. Can we shift away from the inequities in whom we fund—to include and better support organizations led by people of color and women? Can we expand our use of the kinds of flexible, multiyear general-operating support that will make our grantees more resilient—better able to survive times of crisis and adapt to what the moment calls for? What might stand in our way?

Here, unique among all segments of civil society, there are few external forces preventing systemic change. We in philanthropy are our own worst enemy, and we are therefore uniquely called to examine and change our own practices.

Doing so requires us to move from performative statements that signal our virtue to hard self-examination. In the interests of advancing that kind of reflection, I offer four lessons from our experience as one foundation on a journey toward deeper, more equitable, and more trust-based relationships with our grantees. We have learned lessons from our own mistakes and from funders ahead of us on this journey.

**First, we had to shed the magical thinking that important change can happen quickly—advanced by relatively small, short-term grants.**

Our shift in 2015 to focus all our resources on one issue—inequality—required us to question our timing expectations. After 80 years of working on the front lines of social change, we knew that social-justice organizations are playing a very long game. Success isn't measured in years but in decades. Progress isn't linear. As we see today in challenges to voting rights, reproductive rights, civil rights, and more, it's often interrupted by setbacks and defeats and well-funded, well-organized opposition. Funders working to help “bend the arc toward justice” have to take the long view.

When we analyzed our actual practices, we found that Ford wasn't funding for this long game. Most of our grants—even to longstanding grantees—were project support, for less than two years. Keeping our grantee partners tied to rigid timeframes and deliverables was stifling their investments in talent, organizational development, and needed technology. It was keeping them on what BUILD Director **Kathy Reich** calls “a treadmill of short-term thinking, where they become reluctant to innovate, take risks, learn from failure, and scale.”

This recognition led us to make some important changes to transform our grantmaking. In late 2015, we implemented [FordForward](#), a comprehensive initiative to change the way that we do business. Some of the key elements of *FordForward* include making more of our grants in the form of general support; paying a minimum of 20 percent overhead on all project grants; and launching our BUILD program, a five-year, \$1B effort to strengthen key institutions that focus on ending inequality in all its forms.

BUILD provides five years of general-operating support, plus dedicated funding for institutional strengthening in areas that grantees choose, based on an organizational assessment. To date, we have made more than 300 BUILD grants to partners in 28 different countries. [Midterm findings](#) from our evaluation indicate that more than 85 percent of BUILD grantees have been able to strengthen strategies, improve strategic clarity, respond to opportunities, strengthen their financial situation, and more effectively implement programs. Two-thirds have been able to leverage their BUILD grants to secure other funding.

## **Second, we had to reimagine the program officer/grantee relationship.**

BUILD aims to shift the power dynamic that too often plagues donors and grantees, by making the Ford Foundation’s relationships with these organizations more collaborative, more strategic, and more trusting. Greater trust leads to greater impact from the relationship—with leaders able to ask for what they really need. More than 90 percent of BUILD grantees report that their relationships with Ford staff are deeper and more meaningful because of the BUILD grant.

At the Ford Foundation, many staff who were skeptical about the BUILD approach to grantmaking are now its biggest champions. One program officer said the nature of the BUILD grant changes the conversation with grantees: “Instead of focusing on the minutiae of deliverables, we talk strategically about long-term goals and how other parts of the organization, such as operations, leadership, human resources policies, and their mix of funding sources, can help them achieve these goals or not.”

Program officers are benefiting from more candid and authentic relationships with the leaders and organizations they fund. And they’re seeing strong results in achieving their program goals. Overall, including BUILD, more than 70 percent of the grants we make are now general-operating support—up from around 30 percent five years ago.

## **Third, we had to challenge sacred cows about accountability, impact, trust, and control.**

Grantmakers often believe flexible funding means they lose power to hold grantee partners accountable for results. But we’ve found that unrestricted funding doesn’t mean a loss of accountability. The flexible, long-term nature of the BUILD grant has made program officers more attentive to grant monitoring—not less. We’ve also learned that it’s possible to make multiyear commitments even though funding over multiple years requires making difficult choices, as larger grants usually mean fewer grants and grantmakers can’t fund as many organizations as they can with single-year commitments.

Multiyear grants can be valuable to nonprofits even if the grants aren't particularly large. And flexible grants are among the most strategic types of support because they give nonprofits room to quickly adapt their work in response to challenges and opportunities.

For example, when the [National Women's Law Center](#) received a BUILD grant in 2016, it was on the cusp of the first leadership transition in its 45-year history, appointing its first woman-of-color CEO, **Fatima Goss Graves**.

Rather than holding back funding, or attaching numerous conditions to it, our program officers chose to invest in the organization's new leadership with a five-year, flexible commitment that included funds for the center to complete its leadership transition; bolster its communications, fundraising, and information-technology efforts; and increase staff diversity. With BUILD funds in hand and stronger infrastructure in place, the center was ready when an unanticipated opportunity arose: running the [TIME'S UP Legal Defense Fund](#), which has raised more than \$25 million to help women win workplace sexual-harassment claims.

**Finally, the commitment and diversity of our leadership were essential to our ability to make and sustain these changes.**

Since 2013, when **Darren Walker** became president of Ford, our board of directors has evolved to include highly distinguished leaders of color and women, including leaders from the nonprofit sector. Fully half the board is now female, and more than half are leaders of color. Our senior executive leadership team has also shifted; women and leaders of color now make up more than half of the executive team. This changes the perspectives around the table when we make critical decisions about what matters, for whom, and how to enact our strategies in ways that embody our most deeply held values. It has led us systematically to support organizations led by people of color and women and deepen our engagement for their success.

For all of us in philanthropy, the public health and economic crises posed by the coronavirus present an urgent opportunity to provide better, longer, and more flexible funds to help grantees responding on the front lines of this pandemic. **Vu Le** and **Antony Bugg-Levine** call this type of support "MYGOD funding"

(multiyear, general-operating dollars)—capturing the sentiments of the grantees who receive it. When coupled with money and engaged support for institutional strengthening, the nonprofit organizations we fund can become stronger, more resilient, and more effective.

Yet, even as we can hope that more funders adopt and sustain these practices, there's an important caveat to keep in mind: In this, as in all things important, there's no "silver bullet." MYGOD funding and investments in institutional strengthening are not like a vaccine—one dose and you're done; grantee partners will be strong forever. Rather, we should think of them as necessary recurrent practices—more like preventative healthcare—and similarly much more effective for advancing the health of our sector in truly fighting the long game of bending the arc toward justice.

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*Hilary Pennington serves as Executive Vice President for Programs for the Ford Foundation.*

### **What You Can Do: Advice From Kathy Reich, BUILD Director**

In light of COVID, make commitments for as long and as flexibly as you can and combine unrestricted support with flexible capacity-building dollars. This gives grantees permission to focus on critical planning, evaluation, and infrastructure at a time when the temptation is to sink every last dollar into programs.

Listen to what your grantee partners are telling you and support them to develop their own best answers—which may include investments in technology and managing trauma/self-care. For example, in late March 2020, we hosted a video call for BUILD grantees to brainstorm how to shift their strategies and their operations in light of COVID. We organized it with five days' notice, made it optional, and cautioned that it was primarily geared toward U.S. grantees. To our surprise, more than 150 people joined the call, including grantee partners in China, India, and Indonesia for whom it was the middle of the night! Grantees were incredibly grateful for the chance to exchange ideas with each other. And we were able to learn from them about what further support would be helpful. As a result of this call, we're organizing follow-up webinars on financial planning, fundraising, and human-resources management in the time of COVID—and tailoring content for U.S. and Global South grantees.

For grantmakers willing to take the leap, many funding colleagues can show you the way. The [Trust-Based Philanthropy Project](#), [Grantmakers for Effective Organizations](#), the [Full Cost Project](#), and many others offer tools and resources for funders on how to make larger, longer, more-flexible grants.