A TOOLKIT FOR FUNDERS

GREAT FUNDER-NONPROFIT RELATIONSHIPS

Exponent Philanthropy, in partnership with the National Council of Nonprofits, explored the complicated relationships between funders and nonprofits at regional programs around the country in 2017. Hundreds of funders and nonprofits came together to listen, learn, and make plans to improve the relationship from both sides.

This toolkit is based on what we learned during these events and is designed to help funders understand the hallmarks of great funder–nonprofit relationships, assess their competencies in these areas, and identify ways in which they might improve.

We recognize and thank the Fund for Shared Insight for support of the regional programs and this toolkit to elevate the importance of meaningful funder–nonprofit relationships.

exponent philanthropy

THE HALLMARKS OF GREAT RELATIONSHIPS

Often in the complex funder–nonprofit relationship, it seems that nonprofits do the asking, reporting, and proving, while donors sit in positions to say *yes* or *no*, how much, when, and what's required.

Achieving a different, deeper relationship takes more than just good intentions—it takes flexibility, finesse, and a sincere desire to acknowledge and address the power dynamics at play.

Our time spent with funders and nonprofits revealed these hallmarks of strong relationships:

- **Mutual trust—**Trust is the cornerstone of any great relationship—in philanthropy or elsewhere. Trust increases over time as you get to know the other person and develop a clear sense of who they are and what motivates them.
- **Humility—**In a relationship, having humility and empathy for your partner opens the door for open and honest feedback.
- **Communication—**Communication is essential in building healthy, long-lasting, and open relationships.
- **Shared expertise—**Both funders and nonprofits can benefit from by taking a step back and listening to one another's insights.
- **Tolerance for discomfort—**The power dynamic between funders and nonprofits can be burdensome for both. Each side must be willing to do the work necessary to build a strong, healthy relationship.

Creating space to explore these competencies with those involved in your philanthropy will set you on a path to transform your philanthropy from transactional to transformational.

In the following pages, you'll find a diagnostic meant to assess the state of your relationships with nonprofit grantees. Since every relationship is different, we encourage you to take the diagnostic with a specific relationship in mind.

You'll also find benchmarks based on hundreds of diagnostics collected from your fellow funders, as well as tactics for improving aspects of your funder–nonprofit relationships.

SELF-DIAGNOSTIC

Below are potential hallmarks of great funder–nonprofit relationships that can help you identify opportunities for improvement. For each statement, place an X in the column that best describes the frequency with which you demonstrate the behavior.

HALLMARK	NEVER	SOMETIMES	OFTEN	ALWAYS
MUTUAL TRUST				
I work to build a genuine relationship with others.				
I assume the best intentions in others.				
I follow through on requests in a timely manner.				
I care about others' personal and professional well-being.				
HUMILITY				
When making decisions, I seek to include the perspectives of those we serve.				
I seek to truly understand, and not assume, how others view issues.				
I consciously check my ego.				
PROACTIVE COMMUNICATION				
I encourage and enable regular communication within and outside of the grant process.				
I actively listen to others' ideas and concerns.				
I set and share realistic expectations for the relationship.				
I am clear and direct in my intentions and needs.				
SHARED EXPERTISE				
I seek out and share relevant knowledge and information, as well as opportunities and challenges, in a timely manner.				
I strive to become more knowledgeable by learning from others' experiences and perspectives.				
I welcome and acknowledge the value of others' knowledge and experience.				
TOLERANCE FOR DISCOMFORT				
I acknowledge to others when I have made a mistake or when priorities/expectations are misaligned.				
I seek feedback on ways I can improve the relationship, and act upon it.				
I acknowledge the existence of the power dynamic and actively work to minimize it.				

SELF-DIAGNOSTIC

Based on your answers on the previous page, select at least one of the five hallmarks for improvement. If you selected *Never* or *Sometimes* more than twice within any hallmark, consider prioritizing that area for improvement.

For example, if you selected *"I never seek feedback on ways I can improve the relationship."* and *"I never acknowledge to others when I have made a mistake."* you may want to prioritize your tolerance for discomfort in relationships with your grantees.

Write your chosen hallmark(s) here:

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Then use the pages that follow to explore tactics for improvement:

Mutual Trust, page 5

Humility, page 6

Proactive Communication, page 7

Shared Expertise, page 8

Tolerance for Discomfort, page 9

WHERE FUNDERS **ARE STRONG**

69% of funders always care about others' personal and professional well-being

50% of funders always strive to become more knowledgeable by learning from others' experiences and perspectives

50% of funders often actively listen to others' ideas and concerns

WHERE FUNDERS **CAN IMPROVE**

35% of funders often acknowledge the existence of power dynamic and actively work to minimize it

36% of funders often include the perspectives of those they serve when making decisions

20% of funders sometimes check their ego

TACTICS FOR IMPROVEMENT
MUTUAL TRUST

> “Building trust means sharing challenges and problems honestly. I have found that when I have had to share truly painful organizational problems with our funders, it was deeply appreciated and actually strengthened our relationship. No one who funds our work wants to hear about our crisis from others or in the fine print of a financial report. —DIANE BRIGHAM, RYMAN ARTS

A fundamental step in bridging the divide between funder and grantee is for funders to acknowledge they have more power and to recognize that they must go first to build trust.

Funders and nonprofits offer these suggestions:

- Engage in radical candor, which means challenging someone directly while also showing that you care for them personally.
- Award multiyear, general operating grants to build staff capacity at nonprofits.
- Trust the nonprofits to do their jobs well; don’t micromanage them.
- Find ways to share expectations and reach a common understanding about any collaborative activities.
- Be less defensive and open to the bigger picture beyond individual programs.
- Invest in the organization with an understanding of true costs.
- Seek to understand the limitations on nonprofits’ resources (e.g., time, staff, technology).
- Deepen your engagement by participating in events/saying *yes* to invitations from nonprofits.
- Introduce the foundation’s board members to the nonprofits to educate the trustees about issues and educate the nonprofits about the trustees’ interests and priorities.
- Frame conversations beyond what is being funded.

My action steps:

HUMILITY

> “Perhaps at times, do we lose sight of what is important in our philanthropy? Do we spend too much time thinking about ourselves and our preferences? Do we set programs or policies because they suit us—without knowing whether they suit our grantees? Do we spend too little time getting to know what our partners need to thrive?
>
> —HENRY BERMAN, EDITH GLICK SHOOLMAN CHILDREN'S FOUNDATION

Because the ultimate goal of philanthropy is to serve the beneficiary, not ourselves, funders must minimize their egos. Remember that all involved are committed to action and positive change.

Funders and nonprofits offer these suggestions:

- Listen deeply to nonprofits' concerns.
- Try to see things from the other's point of view.
- Assume best intentions.
- Share mistakes.
- Frame conversations beyond what is being funded.
- Meet grantees where they are—either on-site at their location or at a local coffee shop.
- Don't be rushed; take time to be relaxed.
- Ask the nonprofit about its needs—and listen.
- Treat nonprofit grantees as individuals; don't assume all are the same.
- Lift up nonprofits in conversations with other interested parties.
- Ask for only what you need to make grant decisions, even searching online for information yourself.
- Open your doors; host a small reception to invite grantees into your space.

My action steps:

TACTICS FOR IMPROVEMENT

PROACTIVE COMMUNICATION

> “I try very hard to be upfront, letting organizations know whether they qualify for consideration. If they do, I send a grant application with my response or explain why they can’t be considered—for example, for geographic reasons, if they fall outside priority areas of interest, or if the foundation has insufficient funds available.
>
> —ANN D. GRALNEK, GEORGE FREDERICK JEWETT FOUNDATION

Intentional, open communication channels and feedback loops lead to more clarity and stronger relationships.

Funders and nonprofits offer these suggestions:

- Communicate honestly and openly about grant requirements.
- Keep nonprofits informed throughout the grant process; start by acknowledging receipt of a letter of inquiry or grant application.
- Welcome emails and phone calls, or hold “office hours” so nonprofits can visit or call during a set time.
- Remember that a prompt *no* is the best kind; when appropriate, offer feedback on declined grants.
- Use grant agreements to document the grant’s goals in writing.
- Develop a communications calendar together with grantees so both parties know when you will be talking to one another.
- Incorporate into the reporting process questions that ask about the relationship.
- Be interactive and feedback-friendly.

My action steps:

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TACTICS FOR IMPROVEMENT

SHARED EXPERTISE

> "Funders must understand and own their power and come with the intention of partnership. Bring sector knowledge and context, and be open to learning, listening respectfully and deeply. NGOs should also understand their power and come to the table not seeing the funder just as a source of dollars, but as a thought partner. Share what it takes to build something in a meaningful way and be honest about the good as well as the challenges.
>
> —MARGARET BUTLER, KOMERA

Finding opportunities to learn with nonprofits can level the playing field and open a new part of your relationship.

Funders and nonprofits offer these suggestions:

- Convene grantees in-person or via webinar—outside the grant process—to discuss shared interests.
- Connect grantees with resources and thought leaders (such as state associations of nonprofits that promote best practices).
- Introduce the foundation's board members to the nonprofits to educate the trustees about issues and educate the nonprofits about the trustees' interests and priorities.
- Deepen your engagement by participating in events/saying *yes* to invitations from nonprofits.
- Be intentionally educational about your process.
- Respect the nonprofit's knowledge.
- Understand the distinction between long-term and short-term volunteerism.
- Make sure nonprofits receive advocacy and fundraising training so they can be more self-sufficient in resource development and protecting government funding.
- Reflect on who else needs to be in the room when conversations happen with nonprofits. Can you make connections for the nonprofit with government/researchers/other nonprofits/other funders?
- Find ways to share expectations and reach a common understanding about any collaborative activities.

My action steps:

TACTICS FOR IMPROVEMENT

TOLERANCE FOR DISCOMFORT

> “[The power differential] is one of those things that is just there. What matters I think is how you manage it. I think awareness is the first step—knowing it is there and then consciously making the effort to minimize it. —MARY SOBECKI, NEEDMOR FUND

Tolerating the discomfort of feedback, and turning that feedback into action, are evidence that the parties in a relationship are working hard to improve it.

Funders and nonprofits offer these suggestions:

- Show respect for failure so nonprofits are more confident about sharing lessons learned.
- Audit the relationship; ask about it, not only about the grant.
- Give specific feedback to nonprofits about why they didn’t receive a grant.
- Be as flexible as possible.
- Have a conversation with the nonprofit prior to it submitting a proposal; don’t waste their time if it is not likely to be funded.
- Be interactive and feedback-friendly.
- Ask, don’t assume.

My action steps:

KEY SKILLS

Taking into consideration the results of your self-diagnostic, consider how two key skills—asking powerful questions and listening well—can improve your relationships in any given area.

ASKING POWERFUL QUESTIONS

Powerful questions are thought-provoking, open-ended, and curious in nature. They are not complex or lengthy, and give power to the other person to talk freely and deeply about a topic. Choose from this list of "go-to" powerful questions to go beyond evaluations and grant reports to see the other person in front of you.

Questions for getting started
What would you like to focus on today?
What's important to you about this topic?

Questions for exploring a topic
What opportunities can you see?
What assumptions are you making?
What is your desired outcome?
In a few years from now, what will you want to say about this situation?
In the bigger scheme of things, how important is this to you?
What's the real challenge for you here?

Questions for creating forward movement
What's your stretch goal?
What would it take to create change in this situation?
Who do you need to create change?
What support do you need to accomplish…?

Questions for closing
What's emerging for you here?
What new connections are you making?
What insights have you gained?
What's been most useful to you during our conversation?
What will you do next, by when, and how will you let me know?

Questions for when you're stumped
As you talk through this, what are you noticing?
What are you curious about?

Adapted from previous work by Jen Lachman for Exponent Philanthropy.

LISTENING WELL

Listening is an essential skill for effective philanthropy. When—and only when—we listen deeply and humbly to those we serve can we learn about their true needs and how we can partner most effectively to create change.

Unfortunately, most people (funders too) are not as good at listening as they'd like to think. Listening deeply to another person takes real focus and attention, and our multitasking brains and fast-paced environments present endless distractions that make it hard for us to really tune in.

The following are things to keep in mind when in conversations with nonprofits:

Be curious—What are you truly curious to uncover about this person, and his or her unique perspective? When you come to a conversation seeking to understand things in a new way, and can recognize that your vantage point only offers one way of seeing a situation, you're able to tune in more intently.

Be humble—Many of us feel most comfortable entering a conversation with a certain level of confidence about the topic at hand and our ability to offer value to the discussion. So, while it may be uncomfortable, when you can let go of your desire to advise, drive, and direct a conversation, you make space for others to speak—and you can focus on listening. Next time you notice yourself wanting to offer advice in a conversation, what if you asked a question instead?

Be present—Deep listening requires you to be fully present in the current moment. Often we enter conversations with a million other thoughts swirling in our heads. Before a conversation in which you're committed to deep listening, take a few minutes to slow down and transition. During the conversation, know that your mind will wander 10 …100 …1,000 times, and, when it does, tune right back in to the person who is speaking.

ADDITIONAL RESOURCES

FROM EXPONENT PHILANTHROPY

Communicating With Grantees: Building Effective Relationships Throughout the Grantmaking Process

Philanthropy Lessons: The Power Dynamic

The Importance of a Funder's Humility

Three Levels of Listening

Trust Is Essential to Changemaking; Funders Must Take the First Step

Why We Focus on Learning

OTHER RESOURCES

Opening Up: Demystifying Funder Transparency
www.grantcraft.org

Putting Grantees at the Center of Philanthropy, an in-depth series
www.ssir.org

The secret sauce of great funder/nonprofit relationships
www.councilofnonprofits.org

Exponent Philanthropy
1720 N Street NW
Washington, DC 20036
(202) 580-6560
www.exponentphilanthropy.org