

LOOKING AHEAD: THE CHANGING LANDSCAPE OF PHILANTHROPY

*Southern California Grantmakers
2009 Annual Conference & Members' Meeting*

CONFERENCE HIGHLIGHTS

MONDAY, NOVEMBER 9, 2009
THE CENTER FOR HEALTHY COMMUNITIES



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PRESIDENT'S LETTER

2009 Southern California Grantmakers Annual Conference

Dear SCG Colleague,

This year's Southern California Grantmakers Annual Conference, "Looking Forward: The Changing Landscape of Philanthropy," explored themes and issues that are of critical importance to the grantmaking community. Interestingly, many of the conversations we had at the conference—about collaboration, as well as promoting impact and grantmaker education—mirror the same issues that have endured over decades.

At Southern California Grantmakers, there are four trends we see on a daily basis that our members no doubt see as well. The first is the steady growth of issues that face the communities we support, including poverty, homelessness and other pressing social issues. Related to that is the incredible growth of the nonprofit sector. In Los Angeles alone, there are more than 40,000 nonprofits, a reality that poses significant implications for the philanthropic community in terms of the types—and number of—requests received in this current economic climate. The third trend we are witnessing is the increasing diversity in types of giving, paralleling the dramatic growth of philanthropy in the past two decades. While there are many organizations with the formal structure of a foundation, we are also seeing an increase in giving circles, donor-advised funds and other innovations in grantmaking.

The final trend that I believe is important to highlight is the fiscal and governance crisis facing our state. While this trend affects other states as well, California is unique in this regard. Yet, while there are great demands placed upon the philanthropic sector in California, this is also a time of great opportunity.

In the year ahead, we at Southern California Grantmakers look forward to convening funders and collaborating in ways both formal and informal—in order to increase impact and effectiveness as, together, we move forward.

Sushma Raman

Sushma Raman
President, Southern California Grantmakers



FEATURED GUEST SPEAKERS AND PANELISTS

Richard Atlas

Co-Founder and Trustee, The Atlas Family Foundation

Diana Aviv

President and CEO, Independent Sector

Susan Taylor Batten

President and CEO, Association of Black Foundation Executives

Leslie A. Dorman

President, The Sterling Foundation

James Herr

Senior Manager of Global Corporate Citizenship, Western Region, The Boeing Company

Surina Khan

Vice President of Programs, Women's Foundation of California

Mark Kramer

Co-Founder and Managing Director, FSG Social Impact Advisors

Les Lenkowsky

Director of Graduate Studies, The Center on Philanthropy, Indiana University

Valerie Lertyaovarit

Community Relations Manager, Sempra Energy

Susan Meier

Vice President of Consulting and Training, BoardSource

Yvonne Moore

Executive Director, Daphne Foundation

Warren Olney

Host and Executive Producer, KCRW's Which Way, LA? and To the Point

Mark Sedway

Director, Philanthropy Awareness Initiative

Alejandro Soschin

Program Officer, The Annenberg Foundation

Sean Stannard-Stockton

CEO, Tactical Philanthropy Advisors

Valerie Threlfall

Director of the West Coast Office, Center for Effective Philanthropy

Gwen Walden

Principal, Walden Philanthropy Advisors

Jane Wales

President and Co-Founder, Global Philanthropy Forum

LOOKING AHEAD: THE CHANGING LANDSCAPE OF PHILANTHROPY

Following a welcome by Fred Ali, Chairman of Southern California Grantmakers, Sushma Raman, President of SCG, opened the 2009 Annual Conference by applauding the work of several member organizations, including the Weingart Foundation and the Conrad N. Hilton Foundation. These organizations have invested significant resources to improve ways in which private and public agencies can effectively collaborate to improve the lives of individuals and families. Also cited were those members that have strengthened the infrastructure of organizations serving children, youth and families including The Atlas Family Foundation and the S. Mark Taper Foundation.

Significantly, trends and issues related to current thinking in the field are captured in the newly released SCG signature publication: *Looking Ahead: The Changing Landscape of Philanthropy*. Articles range from lessons learned in bringing philanthropic and public leaders to the table, and public policy opportunities that exist for funders in the current political and economic environment, to insights from national and international experts to help frame thinking and action in looking forward to 2010 and beyond.

SCG has recently formed a partnership with the Mayor's Office as the fiscal sponsor for the newly established Office of Strategic Partnerships. Additionally, it was noted that foundation and corporate leaders were convened for conversations with the Deputy Mayor about how city government and philanthropy can work together more effectively to address the region's most compelling issues.

The past year's events—economic crisis, political change in Washington, DC, impasse in Sacramento and declining philanthropic assets—prompted inquiry, self-reflection and a focus on new ways to bring value to the membership at SCG. This “moment of opportunity” is seen as a time to help *convene* members around common issues of concern, *clarify* best practices and trends and *communicate* the important role philanthropy plays in supporting individuals and institutions on the frontline of social change and community betterment.

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MORNING PLENARY

Trends, Challenges, Opportunities

The morning plenary brought together national leaders from across the sector to discuss broad trends, current challenges and new opportunities from diverse perspectives. The session was facilitated by broadcast journalist Warren Olney and included panelists Susan Taylor Batten, Sean Stannard-Stockton, Les Lenkowsky and Jane Wales.

Sharing Collective Knowledge

Contrasting an apparently recovering economy with California's 10.2 percent unemployment, panelists cited the most obvious challenges facing the philanthropic community with respect to job creation. Frustrations regarding the ambiguity of the sector's voice on what is known and understood about job creation underscore the need for philanthropy to contribute its knowledge and experience. The challenge then is for philanthropy to organize its collective knowledge in such a way that, collectively, it can be brought to the government and business sectors. While business has historically excelled at creating jobs, philanthropy can help prepare the workforce for the future and take an advocacy position in response to public policies that may reduce job availability. At the same time, foundations are increasingly making the choice to invest their endowments in small and growing businesses throughout stressed communities.

Public/Private Collaboration – Risks and Opportunities

Collaboration between philanthropy and the public sector is perceived as having inevitable risk. Government efforts to leverage charitable giving may result in a competition for identifying grantees and “intermediaries” that may be asked to match government money to fund social innovations in local communities. Still, philanthropy is the sector that can take the risks, assess impact and share findings; the field can leverage its collective knowledge and contribute to broader policies, government replication and best practices. At the same time, philanthropy needs to be clear about what is working in our sector as well as talk about lessons learned in a more transparent manner, contributing to broader policies, government replication and best practices.

One of the greatest challenges for philanthropy, however, is the shift of responsibility from the public and private sectors to the social sector, without adequate resources to go along with that responsibility. Now what is an exceedingly trusted sector, the social sector, runs the risk of what all other institutions face, having that trust that we can deliver decline, because of inadequate resources.

Equally important is effectively communicating the process and challenges of actually effecting social impact. Many people entertain the perception that once a check is written for a particular cause, something big will happen, giving the impression that social impact is rather easy. The fact is that many programs do not work, and failure is a part of taking risks. Thus, transparency and the ability to talk about failure is one of the most important things that foundations can change.

Looking Ahead: What Works

While government and philanthropy remain separate, the growing intersection between the two underscores the need for increased accountability and transparency. Sharing and effectively communicating what works and what doesn't—within the sector and in the broader communities—are essential to ensure philanthropy's effectiveness, while increasing the confidence of both government and individuals. Philanthropy also brings to the table a unique capacity to take risks, protect its autonomy, engage funders, make long-term investments in the public interest and convey what this means for the common good.



SUMMARY OF BREAKOUT SESSIONS

CEO/Trustee Session

Leading Boldly: A Conversation with Mark Kramer

Foundation executives often express concern about the imbalance of power between themselves and their grantees. In particular, there are two largely incompatible issues: desire to achieve substantial impact directly attributable to the foundation; and reluctance to impose an agenda on others. In place of this traditional view of leadership is a more subtle, dynamic view of social change, where people and institutions that lead are not expected to know the answer or bear full responsibility for problem solving. Rather, they create and sustain conditions where stakeholders take responsibility for tackling tough problems and generating answers that apply to the politics, culture and history of their situation.

Adaptive leadership circumvents the classic dilemma between proactive and passive grantmaking through a more powerful model for social change that challenges many traditional foundation practices and assumptions. At its core is the difference between leadership and authority. True leadership, whether a formal position or simply “leadership characteristics,” may or may not include the formal authority to tell people what to do. However, many of the world’s greatest leaders, such as Martin Luther King and Gandhi, led with virtually no formal authority.

Foundations have authority over their grantees by virtue of the funding relationship. But an opportunity exists to exercise leadership that offers a considerably broader scope of influence that is especially important for foundations, because it tends to produce results. Additionally, adaptive leadership enables management to facilitate conditions that allow stakeholders to determine their own solutions—helping increase organizational effectiveness.

Instead of focusing on exercising *authority*, foundations can benefit by focusing on adaptive leadership opportunities including using their expertise, political access, media skills and bold strategies to generate change. This highly results-oriented process enables people to undertake solutions that ultimately require changes in their own ways of working. Adaptive leadership also helps achieve positive change by provoking debate, encouraging new thinking, advancing social learning and mobilizing the parties to work toward a solution, rather than imposing one.

Family Foundation Session

East Meets West: National Perspectives on the Future of Family Foundations

The most recent Foundation Center data on family foundations identified 42,000 family foundations throughout the U.S., comprising 56 percent of all private foundations and representing 18.5 billion dollars in annual giving. Additionally, California is now home to seven of the 25 largest private foundations in America, demonstrating the growth of family philanthropy on the West Coast. Family foundations frequently collaborate with other foundations, while creating closer ties with their grantees. Many family foundations also provide types of assistance that do not necessarily involve large cash outlays including technical assistance or training to grantee organizations. Plus family foundations often provide critical operating support that turns on the lights and pays the salaries. Other family foundations characteristics include availability to meet with grantees, make a grant on very short notice—and make a difference. Case in point: a recent article from the National Center for Family Philanthropy, addressing how various family foundations around the country have stepped up to meet needs in the current crisis.

In sharing their perspectives on the future of family philanthropy and how it fits into the broader philanthropic picture, panel members represented the East and West Coasts, as well as different ways of entering philanthropy. Richard Atlas established The Atlas Family Foundation on the West Coast in 1985. As a general partner with Goldman, Sachs & Co., Atlas was given the opportunity to establish a private foundation. He subsequently visited numerous well-established California foundations to learn about the grantmaking process, while observing the due diligence and decision-making processes in both staff- and board-driven foundations. His experience with investment and diversification strategies, and focus on collaboration are integral to the foundation’s ongoing mission of supporting community-based programs dedicated to young children.

In contrast, the New York based Daphne Foundation—and having recently started funding internationally in West Africa—focuses on grassroots organizations, derived from a philosophy that the people know exactly what they need and how to get it. The foundation

has a special interest in raising leaders up from the community and giving them the help they need to impact their own causes. Reporting is kept to a minimum and grants are typically renewed annually. Plus an exit strategy focuses on enabling each organization to create a solid board, fundraising processes and communications capabilities, while ensuring good quality of life for staff members and a strong organizational structure that will continue to thrive.

While possessing varying funding styles and distinctive missions, both East and West Coast funders agreed relationship building and collaboration are essential. What may be even more important is the passion of the foundation itself, which can reenergize foundations and grantees alike—in tough times and in the future.

Corporate Session

Investing in Governance: Board Leadership as a Strategy for Strengthening Corporate Grantmaking

Today’s boards need to think strategically in ways they have not been called upon to do in the past—and be even more focused in order to harness new opportunities, innovation and resources. However well a nonprofit may be doing, it could do dramatically better with a high functioning board consisting of good strategic thinkers who understand a community, have circles of influence they can tap into and can work in constructive partnership with their chief executive in moving a nonprofit forward.

Based on interviews with individuals from 54 grantmaking institutions of various types and sizes throughout the United States, BoardSource and FSG Social Impact Advisors explored why grantmakers invest in nonprofit governance. Interviewees shared the conviction that boards are essential for setting strategy, supporting the chief executive, providing financial and programmatic oversight, and stewarding investments made by grantmakers and others. Noting that not all boards are as effective as they can be, grantmakers viewed their institutions’ support of the board and staff as a fundamental investment in advancing the grantee and grantmaker missions. Three fundamental reasons emerged from the interviews for investing in governance: advancing the

SUMMARY OF BREAKOUT SESSIONS

Continued

mission of grantee and grantmaker; effectively using limited grant dollars; and risk mitigation strategy on behalf of corporate grantmakers to help protect their investment in nonprofits.

Corporate grantmakers are involved with three types of activities. The first is governance of the grantee, typically a one-to-one relationship offering opportunities such as peer exchange, capacity building and milestone setting. The second is governance and the community, when a grantmaker can actually leverage its community influence by convening nonprofit leaders and connecting them with experts. Thirdly, governance and the field involves the larger nonprofit sector or segments of the sector as the target audience; grantmakers invest in governance directly through their own research and development, or indirectly through field-building organizations.

One example of a hands-on board leadership program is Capital One, where the organization places more than 100 executives on nonprofit, grantee boards around the country. Uniquely, Capital One also trains its executives specifically to be good board members, helps them know what to expect and understand their roles and responsibilities in the boardroom so they can maximize their productivity. Other types of board leadership programs cited include IBM's web-based global program, and Freddie Mac's local program, similar to Capital One, while focusing primarily on the greater Washington, D.C. area.

In terms of targeting leaders for a board leadership program (typically specifically for senior management), some corporations prefer including middle managers and up-and-coming leaders to instill a sense of Corporate Social Responsibility. The thinking: if they climb the ranks of the corporations, they will continue to embrace those values and be better educated about the community. It is important to consider the quality of training and resources provided, since poor training will reflect back on the corporation, and to also clarify expectations (e.g., financial commitment). Corporate executives interviewed also agreed that passion was the most desired quality for a board member.

Ultimately, effective boards can mean the difference between a nonprofit that is thriving, and one that struggles to accomplish its mission. By acknowledging the vital role that boards play in the success of an

organization, corporations are investing in building nonprofits' internal capacity, and strengthening their organizational effectiveness through work with their grantees—and internal initiatives that inspire and promote effective board leadership.

Bridging the Engagement Gap: What Can California Foundations Do?

The Philanthropy Awareness Initiative (PAI) was created to help foundation and philanthropy association leaders improve communications to decision makers in government, business and the nonprofit community. In addition, there is a population representing approximately 12 percent of “engaged Americans” that have served in a leadership, committee or board capacity for an organization that addresses community or social issues. These are the populations foundations must urgently seek out, understand, target and engage.

One reason for this urgency is political. Philanthropy faces a perfect political storm when uninformed public scrutiny meets with low legislator awareness. The second reason is programmatic, underscoring the importance of improving mutual connections and understanding from people outside the sector who can offer new ideas, partnerships and take promising programs to scale—enabling foundations to better leverage their human, social, political and intellectual capital.

PAI's findings of how those engaged Americans perceive foundations show they have an expectation that foundations will find solutions, speak up and visibly stand apart. Still, most cannot name a foundation or an example of a foundation's impact in their community. Additionally, the majority of respondents believe it is important for foundations to be accountable in serving the public; transparent in their financial dealings, costs and processes; and make a positive difference in society. However, when asked how well foundations live up to those expectations, only half believed foundations are accountable and effective; only one-third believed foundations to be truly transparent. Finally, when asked what kinds of stories they were most interested in, 79 percent chose local impact over state, national or international narrative.

One reason for the current engagement gap is that foundations' communications capacities have not kept pace with the increased number of foundations. Also, foundations either do not talk about their work—or they frame it in financial terms, assuming the “public good” of the work speaks for itself. In part, that is because decision makers do not understand how foundations work, and foundations are not doing a good enough job of telling them. The challenge (and opportunity) for foundations is creating a cohesive, recognizable “brand” that aptly reflects their vision, purpose and relevance.

The other opportunity is to connect with decision makers. Foundations need to explain what they do, the impact they have, and tell their story through the eyes of the organizations they support. Once foundation executives connect with decision makers in government, business and news media, they will not only build support, but also fulfill a critical need in the sector, politically and programmatically.

Stakeholder Engagement: Strengthening Nonprofits Beyond the Grant

In researching ways to make assistance beyond the grant as effective as possible, The Center for Effective Philanthropy (CEP) compared data for 148 foundations and found 80 percent of foundation CEOs believed assistance beyond the grant is key in increasing their nonprofits' effectiveness, while also seeing it as critical to achieving their own goals. Comments ranged from “It can often mean the difference between making a grant and making an impact,” to “It's really the technical assistance that sustains or supports a grantee's ability to finish at the table and get to their goals.” CEOs also noted positive impacts on relationships with their grantees. But only one-third of foundations said they follow up regularly to confirm assistance is making a difference.

On the grantee side, 56 percent of typical large foundation grantees receive no assistance, while the 44 percent receiving additional assistance say it is minimal. The most frequently provided types of assistance included encouragement, collaboration facilitation, insight and advice regarding

SUMMARY OF BREAKOUT SESSIONS *Continued*

assistance were neither time, nor resource intensive. And in only a minority of cases where grantees receive comprehensive or field-focused assistance did they have substantially more positive experiences with their funders, relative to grantees receiving no assistance. Grantees receiving little assistance actually relate their foundation's impact similarly to those receiving no assistance at all.

CEP also examined grantee perceptions across various aspects of the funder and grantee relationship including the impact on the grantee organization, finding that grantees who receive the most comprehensive type of assistance consistently rate more positively across a number of dimensions than grantees who receive no assistance at all. On the field-focused side, grantees that receive field-focused types of assistance also rate their foundation funders more positively on numerous dimensions than grantees receiving no assistance. Those foundations that are providing more assistance to their grantees had integrated their assistance beyond the grant as core to their mission and to achieving their goals. These foundations tended to manage fewer and larger grants, with staff managing an average of fewer than 30 grants, relative to 80 grants at other foundations, yet still citing time as the greatest challenge. Additionally, 25 percent of the foundation staff said that time was their biggest issue in terms of ability to provide assistance, while others cited concerns with having the knowledge to provide the technical and non-monetary assistance to meet grantees' needs.

Assistance beyond the grant is the most effective when foundations have a clear hypothesis about how the assistance relates to what they want to achieve and how they go about achieving it. The analysis also suggests that a comprehensive or field-focused approach is most effective. It is recommended that foundations consider selecting particular grantees to receive assistance beyond the grant, rather than providing smaller assistance to many different players. Also critical is the need for measurement, as well as follow-up, to ensure the assistance is having the desired impact. *Was it effective? How can it be improved? Did it really help the grantees? And did it enable the desired changes?*

KEYNOTE ADDRESS: DIANA AVIV *Building a Sustainable Future Together*

Exploring the changing landscape of the charitable community, Independent Sector's Diana Aviv posed tough strategic questions about what we can do collectively today to improve lives tomorrow. Also addressed: the types of challenges that funders and nonprofits can tackle together and solve in the coming decade, and how we can work more proactively to harness the immense talent and resources of the charitable sector for greatest impact by 2020.

The sector is challenged with preventing the current economic crisis from undermining plans for the future, while maintaining focus on the problems of the present. This is compounded by California's record-high unemployment rate. The Foundation Center's prediction that foundation giving will likely decrease by 8-13 percent in 2009 and 2010, along with severe financial shortfalls at nonprofits—even as demand on nonprofits increases exponentially.

Embracing New Ways of Doing Business

Delayed state reimbursements, unsustainable funding and overexpansion of the nonprofit community underscore the need to change and adapt if the sector is to thrive in coming years. In preparing for tomorrow's challenges as well as the sector's sustainability, it is imperative to embrace new ways of doing business that include greater interdependence between our sector, government and business.

Independent Sector is currently working with a team of organizations committed to demonstrating effective outcomes by creating a common language and framework. This can potentially be used by nonprofits and foundations of all sizes and missions, for better articulating the impact they seek to achieve, as well for developing strategies to assess progress and achievement.

Funders can also encourage collaboration among organizations by avoiding duplication in programming and operations, capitalizing on existing teams and skill sets, and infusing projects with new resources and vision. The next decade's effective organizations will have interconnected relationships and broad working arrangements with business and government as well, creating the potential for powerful synergies with an impact on improving lives that is far superior to any singular sector's contributions.

Organizational Effectiveness

Other strategies to prepare for tomorrow's challenges include vigilance with regard to "measurable, concrete results" that gauge progress toward an effectively implemented mission. This can reinforce organizational effectiveness, increase shared understanding of social impact, and promote coordinated efforts toward similar goals—helping ensure nonprofits and foundations can more clearly communicate their value to stakeholders and key audiences.

Equally imperative is the harnessing of technology for meaningful new ways to support the work of grantees, connect donors and nonprofits, help hold government and the private sector accountable, as well as to connect people to information about jobs, social services and support networks.

Finally, the role of funders needs to be considered more broadly by attending to wider societal challenges, such as investing in infrastructure and engaging in larger social issues before they become tomorrow's mega-challenges. The knowledge, convening power and financial resources of grantmakers can help ensure scarce resources are used in a way that adds real value. And the leaders in tomorrow's sector will be those who recognize the need for proactive involvement in facing challenges, including reforming health care, improving public education or addressing climate change. Active involvement in these issues will help ensure organizations are able to shape the world that our children and grandchildren will inherit for decades to come.



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SAVE THE DATE

**FAMILY FOUNDATION CONFERENCE:
TUESDAY, FEBRUARY 23, 2010**

**CORPORATE CONFERENCE:
MONDAY, APRIL 19, 2010**

