Fund the People Toolkit

Case Making

Funder Myths and Realities

At a Glance

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Funder Myths and Realities

Introduction

Many of the people who lead funding institutions continue to hold out-of-date, disproven, or counter-productive assumptions about the nonprofit workforce. These beliefs, like the idea of people as overhead, actually impair the ability of funders to reach their program goals and achieve their missions. A sustained internal dialogue among trustees, executives, and/or program staff can help the team to recognize the myths for what they are, and acknowledge the value of nonprofit professionals in grantee organizations and in the wider society. This new attitude helps to clarify why it is sensible to invest in the people in and around grantee organizations.

This tool is meant to help you turn these obstacles into opportunities. Based on what we've heard in the field, we summarize a set of myths. With each, we offer a brief counter-narrative, along with resources for those who wish to learn more. We hope this will prove provocative and help you and your colleagues to explore new beliefs that can lead to new practices and behaviors.

To further that conversation, you may find it useful to distribute the following pages, copy and paste the text into your own internal writing, or circulate a few of the suggested readings.

To help begin a dialogue at your foundation, you may wish to use our Talking Talent for Funders, which can help you start an internal conversation at your foundation about how your colleagues perceive the value of investing in grantee talent.

Once attitudes begin to change, the inevitable question is: What do we do now? Our How-To guides are available for guidance in answering this important question!

1. Myth: "Talent-development doesn't appear to be a need. We don't hear about it from our grantees."

Reality: In many diverse and divergent organizations across the nonprofit sector, there is extensive and urgent need for increased investment in individual staff and in the people-systems that support the whole team. Research from across the field finds that:

- 50% of executive directors would prefer funding for talent management capacity, but only 7% of them are able to secure it [1]
- 73% of nonprofit executives feel they do not have the resources they need to develop their own leadership, and they say this is one of the top three challenges they face that their funders don't understand [2]
- 90% of emerging leaders cite burnout as a reason they would leave the sector, and 82% cite low salaries [3]
- 77% of prospective grantees to one major foundation said they spend 1% or less on professional development [4]

For more data presented in a visual manner, see
The Investment Deficit: By the Numbers.

The fact that the need for talent-investment is not surfaced by grantees in conversations with their funders does not mean the issue is irrelevant to nonprofits.

- Grantees may be reluctant to discuss their staff compensation or development needs precisely because funders rarely seem interested in these matters.
- It may be a point of vulnerability, and nonprofits may fear that sharing their talent issues will cause them to lose funding, rather than gaining new forms of support.
- The nonprofit leaders with whom funders generally talk and negotiate grants (such as executive directors and board members) may not be best positioned to fully understand or articulate the talent-investment needs in their organizations, while the mid-level managers, emerging leaders, and line staff may know the issue intimately.

You may not hear from current or prospective grantees about their talent-investment needs because you offer few incentives to discuss the issue, or have created disincentives (perceived or real) for grantees to explicitly discuss this need with you. These disincentives may come in the form of language, practices, paperwork or more subtle signals that seem to classify staff development as a taboo or frowned-upon topic.

Learn More: It may take proactive effort on your part to create the trust, safe space, and positive incentives for grantees to share their talent-investment needs. You may need to intentionally learn from grantees through conversations, surveys, site visits, proposal and reporting questions, etc. As you do this, try to go beyond the top-tier of leadership (in a respectful and appropriate manner) to gauge the needs of the whole team. Remember this is not meant for punitive purposes, or for judging the worthiness of an organization, but rather to better understand how best to support the effectiveness, impact and sustainability of the people who compose your current and prospective grantees. We recommend several of our Toolkit resources to guide you through this process.

- Guide To Investing in Grantee Talent provides in-depth, step-by-step suggestions for strategizing and structuring talent-investments (note: there is a fee associated with this item).
- Talking Talent Between Funders & Nonprofits offers framing and questions for conversations between you and your grantees to help you understand their talent strengths and challenges, and how you could help them build on their strengths to meet the challenges.
- The Harry and Jeanette Weinberg Foundation has designed a series of specific application questions that elicit information from nonprofit applicants about how they invest (or do not invest) in their staff. They found that 77% of prospective grantees spent 1% or less on professional development. To learn more, download our free Weinberg Foundation field story.
- See Investment Deficit By the Numbers for more statistics on the dearth of support for the nonprofit workforce.

2. Myth: "There is no way to prove that investing in nonprofit talent improves nonprofit program or outcomes. So, therefore, we cannot or will not invest in nonprofit talent."

Reality: Business literature shows statistically significant gains in performance, profit, stock value, and firm longevity for every percentage increase in investment that businesses make in their employees. Although there is not the same level of research in the nonprofit sector, recent evaluations of funding efforts by the Barr Foundation, Blue Shield of California Foundation, Durfee Foundation, Haas Jr. Fund, Irvine Foundation, Virginia G. Piper Charitable Trust, and Rasmuson Foundation show that investments in grantee talent yield significant value for communities, nonprofits, and the funders themselves.

Learn More: Diverse types of foundations, from various parts of the country, that fund in different issue-areas, have evaluated talent investments and found great value. To give you a better sense of the impact that investing in nonprofit talent has had on nonprofits in a variety of fields, here are highlights from the assessments done by two foundations.

Key findings from the Evelyn and Walter Haas, Jr. Fund report **Five-Year Evaluation of the Flexible Leadership Awards:**

- Flexible Leadership Award grantees were highly successful in meeting their mission-advancing goals and leadership development goals. Grantees that saw the highest gains in leadership development also saw the highest gains in mission advancement. Much of their success can be reasonably attributed to their participation in the Flexible Leadership Awards program.
- Participating grantees targeted their FLA grants at the organization-wide level (39%), the senior team (29%) and the board of directors (15%) which has helped to clarify role issues and build a deeper bench of leadership across the grantee organizations.
- FLA grantees described coaching - including for the Executive Director; for senior teams (both as a group and for individual members); for mid-level program managers; and various combinations of all these - as particularly powerful in improving their effectiveness.

- Key findings from the Blue Shield of California Foundation report **"Preparing the Next Generation of Health Center Leaders."**
- The Clinic Leadership Institute Emerging Leaders Program participants demonstrate greater knowledge, confidence and skills in areas that are vital to strong health center leadership and closely aligned with the program curriculum.
- Among the first five cohorts of the program, more than three-quarters of alumni (77%) have assumed more senior roles since beginning the Program.
- CEOs and stakeholders believe that the Program has had a considerable impact on networking above and beyond individual alumni, having cultivated a strong web of connections between organizations that permeates the field statewide.
- CEOs and other stakeholders in the field indicate that the Program has helped contribute to a more robust, resilient community health centers field in California.

These and additional evaluations of foundation investments in grantee talent may be found in the Toolkit's Resource Listings section.

3. Myth: "It's most effective to spend funds on program work, not overhead. And staff development is overhead. We don't support that - let other funders take care of it."

Reality: Nonprofit people ***are*** nonprofit programs. The programs you fund are only as good as the people who envision, develop, oversee, lead, implement and sustain them day after day, year after year.

There is no educational program without educators. No social service without social workers. No health service without health workers. No arts program without artists and artistic directors. No youth engagement without youth workers. No policy advocacy without advocates. No community organizing without organizers.

Investing in grantees' staff is a smart investment in ensuring high-quality nonprofit programs. The costs of a high-performing staff are essential to high-performing organizations and programs. Staff costs are not "indirect" costs, but have a direct impact on the value of programs - even if the staff are administrative or managerial. Staff investment costs cut across all the "columns" of nonprofit finances (program, fundraising, and administration).

Learn More: The Pierce Family Foundation works to build the capacity of nonprofit organizations that are helping to meet the needs of people experiencing homelessness. Through general operating grants and innovative support programs, the Foundation invests in keeping organizations strong so that programs can thrive. To learn more about their approach, click here.

If you are a funder investing in talent or interested in getting started, it may help to consider the full range of choices you have in investment areas, levels and structures. We encourage you to think about all your options at the individual, organizational and ecosystem level. To learn more, see our **Talent-Investing Menu.**

4. Myth: "Talent development will never be a priority for our Board, president, and/or donors, so we can't make it a priority."

Reality: Many funders assume that talent investments will not be of interest to their supervisors, boards or donors. Some don't even raise the issue even if they think it's important. And there's often an additional line they use to describe their potential investors: "They're business people and just won't get it." The irony is that many of the biggest supporters of talent- investment in the funding world have become supporters because of their business experience.

Learn More: A growing number of foundations are making talent development a major priority in their grantmaking. For example, the **Durfee Foundation's** "focus is on extraordinary people who make things happen." They are investing in nonprofit executive directors and higher level managers to build and strengthen nonprofits and communities." **You can learn more about their programs here.**

The Bush Foundation "invests in great ideas and the people who power them" in Minnesota, North Dakota, South Dakota and the 23 Native nations that share that geography. They work to inspire and support creative problem-solving—within and across sectors—to make the region better for everyone. They invest in people and organizations working on any issue that is important in their communities, primarily through their Community Innovation and Leadership programs. They are awarded through competitive grant and fellowship processes open to all eligible people and organizations in the region. **Learn more about their work here.**

5. Myth: "If we invest in a nonprofit leader who subsequently leaves the organization, we've wasted the investment and failed to help the organization."

Reality: Are organizations better off if they don't invest in employees, and staff with low morale and high burnout stay in place? Or better if they invest in employees, and staff who have high morale and high performance that end up moving on to lead elsewhere?

While nonprofit professionals are the bedrock of organizational performance, people come and go from nonprofits. It is both natural and healthy. In fact, much has been written recently about the "war for talent", and how talent is moving in and out of jobs at a more rapid pace in today's economy. This applies to nonprofits as well as business. The old 'company man' social contract between employers and employees is no longer applicable in the labor market. So we should no longer pretend it applies in nonprofits. In fact, the head of Linked-In, Reid Hoffman, suggests we need a new social contract between organizations and their employees that explicitly acknowledges that people will likely leave in three to five years, and then work to ensure that the employer gets the most out of employees, and that employees gain marketable new skills and experience from the employer.

The more an organization is able to support its team members, the more it is able to recruit and retain excellence, build high performance, move underperformers out, and enable staff alumni to lead in other institutions.

Learn More:

- **Secrets of the Super Bosses** by Sydney Finkelstein, Harvard Business Review, January-February 2016
- **The Alliance: Managing Talent in the Networked Age** by Reid Hoffman (founder of Linked-In) and colleagues, July 2014 *(Note: You can see a visual summary or download the first chapter for free on the website we've provided)*
- **Can Nonprofits Compete in the War for Talent?** by Linda Novick O'Keefe, The Huffington Post, January 2015

[1] Landles-Cobb, L., Kramer, K., & Haley, B. (2016). *"Leadership development: Aligning funders' good intentions with nonprofits' real needs."* Stanford Social Innovation Review. Available here.

[2] Buteau, E., Brock, A., & Chaffin, M. (2013). *Nonprofit challenges: What funders can do. Center for Effective Philanthropy.* Available here.

[3] Solomon, J. & Sandahl, Y. (2007). *Stepping up or stepping out: A report on the readiness of next generation nonprofit leaders.* Available here.

[4] Russell, B. (2017). Harry and Jeanette Weinberg Foundation case story. Fund the People.

About Fund the People

Fund the People

Fund the People is the national campaign to maximize investment in the nonprofit workforce. To achieve this goal, we make the case, equip for action, and build a movement to change the attitudes and behaviors of funders, fundraising nonprofits, and the intermediaries that support them. There is a long-standing, sector-wide deficit of investment in the nonprofit workforce. Nonprofit professionals work in environments typified by high burnout and stretched resources. So there is a real demand for equitable salaries and benefits, more and better professional development, improved human resources functions, and healthy organizational culture. Together, we can address these challenges by reshaping existing resources to prioritize nonprofit people as the central asset of nonprofit performance. Now more than ever, we can ensure that America's civic leadership is diverse, well-supported, high-performing, and sustainable for the long haul. Launched in 2014 and headquartered in Beacon, NY, Fund the People (originally known as Talent Philanthropy Project) is a project of Community Partners. Our work is informed by an Advisory Council of diverse leaders and a team of skilled staff and consultants, and is supported by a coalition of regional and national foundations.

To learn more about Fund the People visit:
fundthepeople.org

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