INTRO: [00:00:04]
You're listening to the Fund the People podcast. I'm your host, Rusty Stahl. Each episode, we serve up nutritious, delicious alternatives to the nonprofit starvation cycle. We're the only show focused 100% on investing in America's nonprofit workforce. So whether you work in social justice, social service or something else, we've got something for you. The guests and ideas you'll get access to here will help you to drive equity, effectiveness and endurance, in the social sector. So let's get cooking.

RUSTY: [00:00:42]
On today's installment of our series, Smashing the Overhead Myth Once and For All, you'll get a special inside view of how things are changing inside The Ford Foundation. as one of the largest private funders seeks to provide better grants to nonprofits in the US and around the world. This episode will touch on the practices of talent-investing related to respect and root causes, respecting nonprofit workers and addressing the root causes of that deficit of investment in the nonprofit workforce. For more about our Eight Practices of Talent-Investing, listen to Season 4 Episode 1, where I introduce them all.

Now, here's to our guests. Tiffanie De Gannes is Senior Manager of Operations at the Ford Foundation, she reports to the vice president and Chief Operating Officer. Her role serves as lead on complex projects and initiatives, as well as bridging the gap between operations and program teams to ensure alignment on organizational priorities. Jim Gallagher is Director of Grants Management at the Ford Foundation, where he oversees Ford's grants managers in the US and around the world. Jim has 20+ years of nonprofit and philanthropic management experience and expertise in domestic and international grant-making, organizational capacity building. financial planning, team building and systems implementation. Now, Tiffanie and Jim were both part of the Ford Foundation team that engaged in the Funders for Real Costs Real Change learning collaborative. So I'm really excited to welcome Tiffanie and Jim to the podcast.

Alright, welcome to the Fund The People Podcast everybody. Late last year, the Ford Foundation announced that, as of January 1, the foundation would raise the minimum indirect cost rate, which I think of as the cousin of overhead, from 20 to 25%, or even higher under certain circumstances. This announcement cited research "showing the funders underpay grantees indirect costs, resulting in what has been dubbed the nonprofit starvation cycle". Further the announcement shared that "since 2017, Ford has participated in the Funders for Real Cost Real Change collaborative, a consortium of 12 foundations focused on moving toward a Pay What It Takes model that reflects the range of true expenses needed by social justice organizations to advance change". So I was thrilled to see this announcement, as you can probably guess, and I immediately knew that we needed to talk about this on the podcast. So, today we are doing just that and I'm pleased to be joined by two leaders from the Ford Foundation. These are two people who took that reform and other reforms like increasing general operating support and capacity building efforts, from theory to practice. So, welcome Tiffanie and Jim.

TIFFANIE: [00:04:01]
Thanks for having us.

JIM: [00:04:03]
Happy to be here.

RUSTY:
So Tiffanie, since Darren Walker became president of the Ford Foundation in June of 2013, he has announced and implemented a series of pretty major reforms in how the foundation does its work. And those reforms really have an impact on grantees. So I wondered, if you could share with us a bit of the framework that has informed those changes.

TIFFANIE: [00:04:31]
Yeah, I've been here since 2015, so shortly after Darren became president, and the whole idea of making sure that we have systems in place to support our grant-making was really key. And so, one of the first projects that actually had was redoing our grant-making system blocks, and that really overhauled how we thought about great making, from soup to nuts, from how you talked about having a strategic lineup, from understanding the grantee's needs. But I think what came out of that was a pyramid of layers, and one of those layers was resilience. And at Ford, it was really thinking about two ideas: predictability of flexible funding and capital reserves. And so I think understanding that power, grantmakers in our program officers really need to understand, not just giving away the money, not just really funding initiatives and, you know, making the world a better place, but really thinking about how are we being the best partner to our grantees? If we aren't practicing financial due diligence, and really understanding and taking a deep dive. So I think that was one of the early things we did under Darren's leadership was, you know, upgrading our grant-making system. And then really taking a deep dive into our financial

health, and understanding our financial due diligence and making that part of our grant-making processes.

RUSTY: [00:05:49]
Great. Thank you for that. Tiffanie, can you just share briefly in your role as operations leader there, how have you been engaged in those changes? I imagine pretty intimately.

TIFFANIE: [00:06:02]
Yeah, I think there is an idea here at Ford of operationalizing our grant-making, right? And so operationalizing and working with, in conjunction, with our program teams and supporting them. And so, my role is really looking at how the processes we design and the ones that we use are going to be most efficient for our program teams, are going to be most efficient for, you know, our grants managers and not just here in New York, but how does that look in our regional offices in 10 countries. Really thinking about more consistency in our approach and our grant-making, and so really being a support to our grant-making and really offering better ways in which to enhance the experience for our grant makers and our grantees is really a big part of how we operationalize that.

RUSTY: [00:06:46]
Great. Well, let me bring Jim in here. Jim, thank you for being here as well. Can you tell folks what grant managers do at the Ford Foundation and at other foundations? Some of our listeners may not really know or understand what grants management is, as a role, in a foundation. And if you want to talk a little bit about how these changes have impacted the grants management team and what's been your role in helping them implement those reforms.

JIM: [00:07:20]
Yeah, thanks Rusty and happy to be here. And following up on what Tiffanie said, so at Ford the grants management team is actually part of operations, but we're embedded on each of our program teams, both here in New York and in each of our nine regional offices around the world. So we have like a unique vantage point to all the foundation's kind of strategic priorities and the day-to-day operations and systems that really run our grant making. And so grants management could look different at different foundations they could, you know, skew more towards information, technology or finance or legal. At Ford we kind of cover all the bases and partner with a lot of different departments, but really spend a lot of our time working closely with the program officers and with our grantees on the entire, kind of what we call the grant making life cycle, from an idea or a concept and everything in between. And so we kind of close out that grant relationship.

And so like Tiffanie said, we use Flux as our platform. It's a pretty streamlined grant-making process. It's onboard grantees to our systems, our policies, procedures. You turn those ideas into actual proposals for funding that follow like, our due diligence procedures, what the IRS requires of us as a private foundation and then really work on the process of reviewing, having the grants approved, paying them, monitoring the activities over the life of the grant with the grantee through reporting. And so we have some long-standing relationships with the organizations that we fund at Ford, and the grants managers are really a kind of a consistent and key point of contact for all things grant related for them. And like Tiffanie said, everyone's having that high quality experience regardless of if they're in Kenya or Uganda or Brazil or New York or wherever our grantees are.

And so as you noted, you know, at the top we deal in volume, at Ford we're a large foundation. And last year, we had over 1500 grants in over 40 countries. So that's a lot of variety and complexity in the types of organizations and activities that we support, but like Tiffanie's said and I'll reiterate, is that we want to make sure that we're applying a high quality and consistent approach to our grant making. And so when we have a new policy or process to implement like the one we're going to talk about today, around indirect costs, our role in grants management is to both ensure that we're kind of out on the table to help define and develop these kinds of processes, make sure that they work for our systems, partner closely with our IT team, with our finance team, with our legal team, to make sure that these really work across the board and everyone's aware of kind of what's happening. And then how do we roll out and communicate these changes across the organization and then to our partners in the field.
And so that's a role that grants managers can play kind of straddling operations and programs.

RUSTY: [00:10:04]
Great. Thank you for that Jim. So, one of these reforms that's been part of this Ford Forward Package and has been rolling out recently is around indirect costs, as Jim you just said. And Tiffanie in this area, my understanding is you've helped guide, not only Ford, but this larger set of foundations through this collaborative learning initiative called Real Costs and Real Change. And so, we did speak with Rodney Christopher who managed that process and gave us kind of the arc of what happened with it. But I was wondering if you could just tell us about the initiative from your viewpoint, from the Ford and Tiffanie perspective. What was that story like for you just, you know, broad brush.

TIFFANIE: [00:10:53]
Yeah. You know, I think doing this work with 12 other foundations really gets you to understand very quickly how different each foundation is. And there is no archetype of a foundation or groups that are the same. You know, we found that we're all uniquely different while we may have some common areas in place, really trying to define where is that guiding star with 12 different groups of people, it's kind of like, you know, having 12 siblings, right? We all like spaghetti but I like mine with sauce, and I like mine with no sauce… but really this group of foundations and partners was really thinking about how best should we think about this one idea and recognizing we may not all get to the same conclusion, because we are so unique and different. And so I think that that was really the fundamentals of really chairing a big group like this. And I think a big part of it is realizing that there is a global component to grant-making, right? If we look at things always from a US based perspective, we lose a lot of how ngos in other countries operate. And so, part of the work that we did with the Funders for Real Cost Real Change was having a global grantees workstream that did research just focusing on what does this look like in a global context and certain countries, right. And I think that that really kind of gave us insight into, you know, how are other areas of the globe thinking about this, you

know, are we thinking about it just from a US perspective even though we may be doing grant-making in other countries, really just trying to level out what that looks like I think was a big part of this work and something we all learn together.

RUSTY: [00:12:39]
Wonderful, yes. Thank you for bringing up the global perspective because obviously many of the funders who are involved fund in the US and around the world and have offices in the US and around the world in some cases. We're talking about the MacArthur Foundation, the Hewlett Foundation, the Ford Foundation are all really global funders, those are just a few of the dozen. So Jim let's dive into how this Real Cost Real Change played out within the Ford Foundation. So what was the situation with indirect costs on project and program grants before this all started and how did it end up? How did you take it up to 20% and then move up? And what does 20% mean? My understanding, Rodney said that that's a floor, not a ceiling. So could you talk a little bit about that journey?

JIM [00:13:19]
So I joined Ford in 2010 and at that point you know like a lot of large, private foundations, institutional funders, we had a pretty I would say loosely defined and definitely not transparent policy around indirect costs. Our policy was really that there wasn't a real policy or procedure and program officers had full discretion, really to set rates with organizations or even to not provide indirect costs. And I think we want to empower our staff as experts to be able to negotiate grant terms that work, and for each project within our kind of procedures. But what we also found was that an organization that's, you know, Ford's size and geographic scope that we've been talking about, this really led to a lot of confusion and I would say inequity in our practice around indirect costs. So the practice at that point was people could be calculating it differently within Ford. We saw people calculating it on the direct cost base or on the entire grants amount, and some grantees who have more than one relationship or grant at Ford itself could have had two totally different rates from the Ford Foundation depending on which program they were working with.

So, kind of knowing this was a pretty uneven practice to say the least, when Darren became president he really prioritized this among other things, to pay more attention to what's the real impact on our grantees. And so we started to commission some early research to find out what indirect cost rates were grantees receiving from Ford or other major funders versus what was their true indirect cost rate and how are they covering budget shortfalls, what does this mean for their financial resiliency in general. And what we found through this research and talking to groups of grantees at that point, was that many were showing signs of financial distress. So, for example, you know, low liquidity or persistence of deficits over time, and we also found that through our research our indirect costs can vary significantly from organization to organization or even within the same organization overtime, right? The indirect cost rate isn't static, even at an organization that could depend on where they are in their growth phase, right? They could be early on needing to create infrastructure, and IT, and finance, and fundraising, and those have higher overhead costs that might reduce overtime.

But what we did find consistently over and over again, even knowing that that wide variance of rates that orgs could have, was that for our grantees that we had been supporting, nonprofit grantees we're talking about, their indirect cost rate were rarely less than 20%. That prompted the change in our policy at that point to say let's move from a very made up percent, like we were kind of like default at 10%, to at least say we're going to provide a minimum of 20% in most cases to organizations. And there's a lot of nuance there that we could get into later but at a base level we should be cutting at least 20% on those grantees. And so we just increase that actually, you know, fast forward now to 2023, we just increase it to 25% which is more reflective of today when we're making the majority of our project grants which is in, to non US organizations and so following up on more research like Tiffanie said on global grantees that we support and finding that their indirect cost rates are typically a little bit higher than 20%, then we take 25% at a minimum is a more sound rate to be providing and we can talk more about what that minimum means. I think as we go ahead.

RUSTY: [00:16:55]
Thank you for the honesty about where things stood before you started all these changes. It's so refreshing to just hear, you know, a funder say "we didn't have a policy". It seems like that's the place to start when you really want to improve practice is to acknowledge the reality of where things stand? So, thank you for that. You know, Tiffanie I wanted to and I raised this with Rodney in our interview as well, you know at Fund The People we've been saying often funders will look at the financial health of a grantee or perspective grantee, look at the strategic or programmatic health or ability of a grantee, but they won't look at the human health of a grantee as part of their practice or their grant making. And so I've been interested in how does this financial well-being stuff connects to the human well-being in nonprofits. So given that, I wanted to ask you: how do you think these changes to indirect costs, you know, and on the other reforms or changes you all are making improve investment in the support and development of staff in grantee organizations, or is it not enough? Is there something else that you could be doing or are doing in that regard?

TIFFANIE: [00:18:34]
I think that there's a number of things, right? Ford is a leader in this space of philanthropy and we have a legacy that precedes us, right? So we have that going for us. But if you're a smaller institution, you're smaller foundation, I think just even understanding that this is part of the conversation, right? So even the foundation that joined us, they all weren't the size that we are or making the grants that we were in dollar size or value or on the international scale that we were, right? So having that knowledge that there is no one-size-fits-all here and I think that knowledge is important. As Jim said, we started this conversation about our indirect cost rate in 2017, we've been having this conversation internally for a long time. So I think that recognizing that change is first in learning and then kind of an option once you understand what the tools and changes require, and if you're in a position to do that.

But the human element is, part of the principles we had in this consortium was we want to do no harm to any organization and as grantmaker we have to think about the role that we play, it is a relationship that you're having with your grantee, they're a partner to you, to your organization and if the idea is I'm just giving you this, you do your work as a project, then the other elements that go with that aren't my problem, doesn't really look at the hole pie, if you will, and the way I've said is, we're baking a half baked pie, right? It looks nice on the outside, right? You giving a grant to this organization and the pie is golden. When you cut the pie you can't really eat it because now that you've given an organization, you know, restricted funding, now that they got that they can't fly to do research, they can't keep their lights on, right? Organizations go out of business because they have restricted funding but they don't have any general operating support, right? Or there is no flexibility with the funder. So if you're looking at the impact of what it would have on a grantee that also brings along that human element. And I think you know, one of the things I think about often, Darren wrote a book last year "From Generosity to Justice" . Are you being just and not just generous, right? You're generous in giving the grant as the grant maker but is that the right thing to do? And I think it's just re-considering the relationship you're having with your grantee and how you really want to see that work show up in the world and if you are the grant maker and you're giving project support and you have an opportunity to give a different type of support then you should consider what the impact will be if you switch your support base and say, you know, maybe I should do this, what's the impact of it? And then think about what's the impact of project support, right? That can kind of help think about what that human element is just to kind of juxtaposition those things. That's what I would think about.

RUSTY: [00:21:35]
Yeah that's great. I mean, do no harm is certainly the basis for ethical practice in any profession and grant makers who are paid to do this job well ought to, at least a minimum, keep that ethical mandate in mind and hopefully go beyond it to say not only how do we not do harm but how do we help you to thrive in achieve important changes in the world. So, thank you for that, Tiffanie.

Turning back to you Jim, with this large staff you all work with around the world and a lot of data that you manage, how have you helped to bring program officers, grants managers, the tech folks, and all of these internal stakeholders along to operationalize these changes as they roll out.

JIM: [00:22:10]
I think like you know, when we started with the Ford Forward philosophy, you know, indirect costs was part of a suite of changes so was not made in isolation. Along with increasing the amount of unrestricted support we provided to grantees, last year 84% of our dollars were unrestricted in the form of general support or what we call core support for programs or projects within larger institutions. That's probably an inverse fraction from where we started, I would say 84% of our grant making was probably more project restricted 10 or 12 years ago. So that was like a major shift in like what Tiffanie said, providing more flexible funding to our partners. We also launched our Build program, you've had Kathy rich on your podcast before, which is a 1 billion dollar commitment to organizations over five years that focuses on institutional strengthening and capacity building for organizations. All of that funding is unrestricted as well. And indirect costs, you know, I see is like a cousin to those programs, right? Because we're

increasing the amount of overhead or indirect costs to help those organizations really cover these essential operational costs that they need to execute on the programs.

And so I think in terms of our staff around the world, the different stakeholders, internally, you know, our executive leadership and board, I think everybody was on board with the changes. Nobody was denying that we needed to do this or this was the direction we were heading in. And I would also say like we were, we're not the first organization to bring these issues up, right? So I think philanthropy has been talking about overhead and the nonprofit starvation cycle for probably 20 years or more. And so I'd encourage your listeners to read up on how other foundations, sector leaders, people like Rodney Christopher who you were also talking to and his team are having this conversation or leading change in their institution or with other institutions. And so, there's a lot of energy around this as well.
But you, I think the trick is really, how do we, how do you implement it? How do you go from like the theory to the actual implementation and the practice? And that was really, you know, to be honest, the hardest part of this from my perspective in grants management, given just the depth and breadth of the organizations that we support, we support nonprofits, for-profits individuals, filmmakers, social justice activist, you know, it runs the gamut in terms of where the grantees are located and how they're structured, fiscally sponsored organizations, universities... So there's, when you dig into the, how do you make this a practice change, a policy change that's really communicated effectively and applied consistently is tricky. And so we spend a lot of time just talking to staff and grantees about this, like, what's the best way to approach funding for different types of organizations and there're some like, even with for-profit organizations, we have to exercise expenditure responsibility. So there's limits in how much indirect costs we could provide. It has to be for a charitable purpose, right? We can't provide unrestricted support for organizations that are not 501C3s or equivalent.

And so, there's a lot of like nuance in the policy. So when we say 20% that means like what kind of nonprofit organizations are eligible to receive this rate from us, and these are the ones that we really want to target and make sure that we're providing indirect costs to. And so making like, creating a policy statement, people can see on our website there's a frequently asked questions now where that POS answers some of the questions people have about what types of organizations are eligible, how do we handle indirect costs for universities, for example. There's really not like a one-size-fits-all approach, but we wanted to keep our policy like readable, approachable, digestible for both program officers, grants managers and for grantees, more importantly. And so we have a really, you know, the luxury at Ford of a great set of people internally that are committed to this work in programs, IT, finance, legal, grants management, operations, that have spend a lot of time, I think, over the launch of this to really develop a sophisticated policy that people could understand and then start to apply with their organizations.

So that was some of the change management that Tiffanie is really a whiz at and we've kind of mastered together over time to get our staff to really understand: okay, we know the importance of this and then in the grant-making process, like here's how you kind of could think about this in different ways and your grants manager is there to support you, and me and Tiffanie have spent a lot of time with teams talking through this, along with other kind of experts internally. So at the end of the day, we're really applying that indirect cost rate or if the grant is going to be unrestricted, general support as well. Like, what's the best funding tool to use for that organization at that moment to make sure that we are not perpetuating that nonprofit starvation cycle and kind of providing project support that's going to also support the organization's health and resiliency because we want those partners to be able to execute on their missions out in the field.

And so, yeah, I will be completely frank with you and say we haven't figured it all out yet either, but we also didn't want that to prevent us from moving forward on this and saying like look we were going to commit to these rates while we're also figuring this out, frankly with the rest of the sector as well. And so just to close out when we say 25% is our minimum rate, we want to open the door to have that conversation in the future when we can with an organization to pay closer to their true cost rate if that's possible and if that organization knows what their rate is. Organizations don't have that information at the ready and so there's tools and resources being developed outside of what Ford is doing to help organizations, nonprofits, really understand their rate. And so, in a future state you would want an organization to be able to, with confidence, present their rates to a funder and say the indirect cost rate of my organization is 35% or 40% and this is what, this is why, and we want to work with you, and kind of stop that power dynamic where the funder just says, I will give you 10% take it or leave it, because that's just not working in the sector and its really a flawed system.

RUSTY: [00:12:39]
That is true. And then, thanks again for being frank about where you are in things. It's amazing that it didn't, that not knowing everything about how this is going to work didn't stop you from rolling it out and offering a clear policy that has some flexibility around built into that which is, which I think is seems wise given range of groups that are grantees and where they are around the world.

So, Tiffanie I asked this of Rodney as well. It seemed to me like, you know, you had this dozen foundations participating in the Real Cost Real Change collaborative and they all looked at the same data which showed, you know, we could be doing harm by giving groups half of the indirect costs that they really need in our grant. So everybody looked at that same data set, and then some groups said we're going to change things in this way, we're going to increase our indirect rate for everybody or we're going to increase our indirect rate for smaller groups which tend to have the larger indirect costs. But then some groups, it seems like, have so far at least opted not to make any changes. So to me, I left that thinking, okay, if that approach doesn't work, this safe space, learning environment, no commitment, peer-to-peer learning, data-driven, those are all the ways funders say, this is how we will make change and that's the way, like Hewlett's research about how to change philanthropy says peer-to-peer all of that stuff. So that all happened and yet, some folks didn't didn't change. So if that's the case, like then, how do we change? How do we break through this problem and the system that's not working as Jim said to make those changes? So I'm throwing that out to you and Jim, if you want to follow on as well, feel free to push back on my assumptions there.

TIFFANIE: [00:31:24]
Yeah, I mean I think it's a great question and I think one of the biggest things is there is no one size fits all, right? I think making this a learning opportunity, when we first started this work, we did with 5 foundations and then 5 grew to 12. And having 12 people committed through a pandemic to continue on this journey was just an amazing experience because it wasn't that they were selfish in their institution and said: well, I don't have time, you know, I'm going to walk away from this. They were still committed to learning, they were still committed to engaging their institution in this work, they were still committed to paying for this research, right? So, I think that there are different levels of engagement before you get to actually making a commitment. Just because you haven't made the commitment yet does it mean that you will not. But what you do have as one of those participating foundations and others is a set of tools to help your grantees calculate their indirect cost rate. If you do not have a standard rate at your foundation, you have tools and access to them that you can give to your grantee and they can calculate that rate. You can give them those tools to do that, right? There are different ways in which you can engage in the sector even if you haven't made that change yet. And even at Ford, as Jim just said, this has been a journey for the Ford Foundation, right? Legacy foundation.

This isn't something we woke up and said, yes, we're doing it tomorrow. We're going to flip the switch and change the way we do our grant-making, right? We've done the internal change management, we've done financial health with our grantee, grant makers along with our grants managers who are part of the program team. We've kind of been baking this pie for quite a long time, right. And so I think by the time you get to a place where you're able to make a policy shift like this, hopefully you've done some internal change management and you've kind of engaged with your grant makers, your leadership teams, to really kind of persuade them in the way that Darren did, that this is the right time to actually make a shift. And so I think it does take time to do that, but notwithstanding not making the change does it mean that you aren't a participant, I do want to leverage that, right? Because they still did participate, they still did engage, so learning is a part of that journey and some participants may be learning, they may be at the beginning of their learnings and this is a great place for them to start.

RUSTY: [00:33:48]
You're right. It's better to have them at the table in these conversations than opting out completely.

TIFFANIE: [00:33:54]
That's exactly. That's exactly.

JIM: [00:33:56]
And I would just add that you know kind of in those collaborations, it was important to us that it wasn't just funders talking to each other and so we also work with financial firms, philanthropy serving organizations, our grantees, some standard setting bodies around accounting and so there's a lot of stakeholders to this. It's not just the foundations. Foundations changing their practice in isolation is not going to move the needle, I think it's creating more awareness and

then having more advocacy information research out there for people to understand the issue. And we've actually seen some movement with some city or state governments that are also increasing the provision of indirect costs too. So like I said before, there's a lot of energy around this and I think inviting a lot of different players into that conversation and saying like what is your role here as well? To make sure that the nonprofit sector is able to not just survive, but thrive, right? So I think right now it's more survival mode and in the pandemic but wouldn't it be great if these organizations were able to thrive, if they are recovering the cost that takes to run these programs and really make change on the ground. So that was always baked in. So taking the pie analogy, it's a lot of cooks in the kitchen and then that was on purpose. I think the more cooks in the kitchen on this we have, the better the meal is going to end up.

RUSTY: [00:34:55]
We like food analogies here at Fund The People because we are trying to serve up nutritious alternatives to that starvation cycle, which is what we're talking about here today. And yeah, we had on folks from the #JustPay campaign on the podcast in season 3 who are pushing this with the city and state government in New York, to improve the indirect costs payment on government contracts. So, thank you for bringing up that this is government as well. And the accountants or the auditors, when they come in, they're the ones who at a non-profit, who, you know, do your annual audit. They're the ones who are saying, we're going to slice things up into fundraising, management and program. And so I don't know how that got started as an accounting practice for our sector or if that happens in business too, but that seems to me, one of the kind of problems, so I'm glad you were talking to the accounts too. I haven't talked to any accountants yet and I'll let you do that.

Okay, so let's, just to keep us moving here, Jim I wanted to ask you, so one of the things Rodney said to me was if you're going to increase your payments for indirect costs, it either means you're adding money to your grant making pool, so you can add that money on to grants and keep the program dollars the same for the project or program, or you're taking some money away from the program project costs and reallocating it within a grant to indirect cost, or you're making less grants so that you have more money for each grant to cover indirect cost. So it kind of laid out this set of choices that, you know, may or may not look attractive to various foundations, or they may not have the pie to add money to their grant-making. So, I was curious, how has that conversation played out at Ford and which of those choices have you all made and how did that look?

JIM [00:36:56]
Yeah I mean I think when we first increased the indirect cost policy to 20% that was a definite attention at the organization because at that point a lot of our grants were projects restricted and there was not an additional pool of funds to increase the rate. But that being said we didn't really have a set rate at that point. So we weren't saying we were going from x to 20. Our work on that was to say as a grant maker you should really be talking to the organization about the direct cost that they need from Ford to fund the program and then we should be adding 20% minimum to that. And so, that might require making some tough choices in your portfolio. If that means that you have less money to make for all the grantees. But, you know, I think Ford is so big that,

you know, with a niche portfolio there might be an unknown set of organizations in the budget or kind of like dry powder or searchlight, that that was available to kind of meet that budget need where I know a lot of funders might not have that kind of budget flexibility, if they're not an institution of Ford size. And so, there are choices that probably need to be made, but I would say over time it's something that probably would smooth out, right. And I think if you want to really make an impact for the organizations you can have that as like a stopping block because then you're just perpetuating, maybe bad funding practices with a larger set of organizations, rather than better funding practices for a set of organizations that are courtier strategies. And so that doesn't mean that, you know, you need to cut back on the grants or the partners you do, but just to do that grant making better.

And some of that what we did was more making the defaults funding mechanism unrestricted support. And so grantees were very happy when we had provided more flexible funding to them rather than project funding. Some organization said to us we're really happy to not be hiding in direct cost anymore within the project budgets that we work with you on.

So there's a whole bunch of different conversations that were happening around this, and I do know that that is attention, but like I said that movement indirect costs was not made in isolation and project grants aren't the default anymore. So I think the combination of the higher portion of general support grants, the introduction of our Build program and then making less project grants and making those project grants more impactful, has kind of like become the norm here. But I do recognize that other foundations might have that tension. You know, because what you don't want to do is take money away from the programs, to then balance it out with indirect cost. So, you do need to make those trade-offs as an organization or if the organization can’t provide, you know, kind of a surge funds when they want to make this change that would be also, you're kind of a good practice if the organization is in a position to do that. So, at least bridge the gap for a couple of years while you onboard organizations to a higher indirect cost rate. So, it definitely, like I said it's a challenge but I don't think it's something that should prevent people from thinking about this.

RUSTY: [00:40:13]
Right, so maybe people are over stressing at the beginning and saying these are these choices that ah! What are we going to do? And if they just set the intention, you know, it kind of works out in the mix. Okay, so we're coming to the end of our time. So, Tiffanie, any reflections from you on lessons learned from these changes. And anything else you want to say?

TIFFANIE: [00:41:09]
Yeah. I think you know this is one of those hallmark projects of my career. I've done a lot of projects here at Ford and management is a lot of my work here at Ford and when I joined this initiative as COO and Jim was already part of this work, you know, I'm an operation strategist, right, my nature is, how do I fix it? How can I execute on it? Where is the target? What's the roadmap? And when I joined this group, which was full of program officers, you know, people like Jim, and some of those more program experts, it was intimidating. And I was a member at the time coming into this work and not knowing, having done the financial health due diligence

and part of the team building flux and so, I had some knowledge and some background there, but point that I'm making is, even if you aren't the program person and you're the operations person, I encourage you to get in the conversation because you can have an impact. I had two really great co-chairs Peggy Einhorn and Sarah Davis, who were part of this work when I started, and by the time the pandemic happened and all of these things happened, I was a member on the executive committee, and by the time I was finished I was the chair of the executive committee really getting us to a place that as an operations person I had the capacity to get to the finish line, to really get through the roadmap and really get us to a place of not just transitioning this work, to carry on, that's something we did recognize right, we said we don't want this work to just die when we all walk away, we can't sustain it, We work at a foundation, we can't have a consortium forever, what do we do with it? And we begin to think about sustainability and transitioning this work to organizations like Ariadne and Edge, that can really continue to drive this with a member base of people that are really going to get the tools they need from what they're already doing in their work. And so we were able to provide unrestricted support as a grant of 12 foundations. So in that way people did participate, right? They did show up, they didn't say well I put my money in the pot, I want my money out because it's money left over. We were like, no, we want to do right by this organization and make sure they have the right standing to really take the work that we've done, to take the research, to take the tools, to take your, you know, how do I calculate this and really change the sector in that big way. So I will leave you with two things: one, even if you are not a program person, join the conversation and two, Ariadne EDGE is the partner that we landed with and they're still continuing this work and are continuing a great job. They just released a video on some of their work. I encourage you to go take a look at that.

RUSTY: [00:43:52]
Fantastic. And we will post links to many of the resources produced by the Real Cost Real Change collaborative and the blog post from Ford about these reforms and also the website that you were just referencing, Tiffanie, that Ariadne and EDGE Funders have created which is called, the initiative is now called Funding for Real Change and the website is fundingforrealchange.com. So people can go there and find all these great resources that came out of this process that we've been discussing today. And so Tiffanie, Jim, thank you so much for your time. I appreciate it and I appreciate the work you have done to help not only the Ford Foundation but the sector and the field of philanthropy to improve its practices so that we're all better at bringing about social change and social justice through philanthropy. Thank you both.

TIFFANIE: Thank you so much.

JIM: Thank you Rusty.

NEXT EPISODE TEASER: Next time on the show, I'm pleased to welcome back Mala Nagarajan of Vega Mala Consulting. Mala and I discussed the equitable compensation calculator that she has created and she shares concrete practices for ensuring equitable pay in nonprofit organizations. Before this one comes out, listen to Season 3 Episode 9 to hear my first conversation with Mala about developing a non-profit employer philosophy. Some pretty great stuff. So don't miss the next episode of Fund the People Podcast.

OUTRO: [00:44:09]
Thanks for listening to Fund the People Podcast! Visit fundthepeople.org and click on “Podcast” to find a transcript for this-and other-episodes, all the links discussed in the episode, and more about our guest. If you enjoyed the episode, we’d really appreciate a 5-star rating and a quick review if possible on Apple Podcasts - it helps more people to find the show. Thank you for driving change in our communities. Remember to keep your tank full, take care of yourself, and take care of one another.