Philanthropy & Funding

The Strategic Value of Trust-Based Philanthropy

The core practices that define a trust-based approach can, through multiple pathways, lead to both increased resource efficiency and outsized impact.

By Stacey Faella & Ryan Roberson | Feb. 21, 2024

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The concept of "strategic philanthropy" has been around for a while. While there is some variation in how it is defined, key elements were laid out nearly a decade ago: "outcome-oriented, result-oriented, and effective philanthropy" identifiable by clearly defined goals articulated by donors, pursued through evidence-based strategies that are continuously refined as both donors and grantees monitor outcomes and make adjustments in response.

More recently, the concept of trust-based philanthropy has emerged, and the case for it tends to focus on the worthy goals of shifting power for justice and equity and alleviating the burden on nonprofit leaders. While these approaches do not oppose one another, trust-based philanthropy has been contrasted with strategic philanthropy. This has created a false dichotomy, implying that a trust-based approach is unstrategic—that it is incompatible with an approach that embraces evidence-based strategies and that makes adjustments to improve effectiveness. This in turn has lent itself to the misconception that certain trust-based practices are "lazy" and less likely to produce results. For example, donors have suggested that making unrestricted grants is evidence of not having done enough work to determine the best way those funds should be spent.

Fundamentally, there is nothing un-strategic about a trust-based approach to philanthropy. The key differences lie not in whether to embrace and respond to evidence but rather in whose time, expertise, and experience are valued most. Actually, the core practices that define a trust-based approach to philanthropy can be very strategic and can lead to increased resource efficiency and outsized impact through multiple pathways. It's an approach that gives nonprofit leaders discretion and empowers them to pivot when the circumstances change, it allows funders to have a deeper understanding of organizational challenges and be responsive to them, and it enables leaders and their teams to spend less time on grants administration and more time on programs. It also enables funders to stay lean themselves by valuing and honoring the expertise of the leaders we fund.

Each of these advantages has come to life vividly in the experience of our respective organizations, the Southern Coalition for Social Justice (SCSJ), a nonprofit that partners with communities of color and economically disadvantaged communities in the South to defend and advance their political, social, and economic rights; and the Woodcock Foundation, a leanly staffed progressive family foundation and a funder of SCSJ.

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Empowering Leaders to Pivot When Circumstances Change

If recent times have taught us anything, it's to expect the unexpected. Funders can't always anticipate the new opportunities or challenges that grantees will face. Take the COVID-19 pandemic, the murder of George Floyd, wildfires, earthquakes followed by tsunamis, the January 6 uprising, and we could go on. Organizational leaders need the ability to change course, and funders can provide that with unrestricted funding—a key practice of trust-based philanthropy. Unrestricted funding gives leaders discretion and allows organizations to pivot when the environment changes, when new opportunities and ideas arise, or when new evidence emerges. It facilitates crisis response and gives leaders nimbleness and flexibility to support their communities.

As SCSJ has seen, the absence of unrestricted funding creates gaps in what an organization is able to do for its community. SCSJ has three core programs in voting rights, environmental justice, and criminal justice, all of which are highly interconnected. The ways in which these programs relate to and support one another shifts over time, and like elsewhere, sometimes the strategy for a project at SCSJ needs to

pivot mid-stream. To give an example that's likely to recur, SCSJ was recently working on a legal case that unexpectedly went to the Supreme Court. As part of our voting rights advocacy, SCSJ pulled funding from another project and reallocated it to rapid-response efforts to set up a rally, provide transportation for citizens to the rally, and to cover other related expenses. SCSJ saw these efforts as critical, and it took some shape shifting to succeed. Fortunately, SCSJ was able to reallocate unrestricted funding and act quickly, but in other cases, SCSJ has spent time going back and forth with funders to convince them of the urgency of a new project and to update grant agreements accordingly.

Even worse, SCSJ has despairingly watched partners stay the course on less effective programming due to donor preferences, restrictions, or inflexibility. One partner received a project grant from a funder to produce and distribute a toolkit of written instructions to help returning citizens chart a path in those early days following release from confinement. However, after conducting a deeper needs assessment, the partner realized the beneficiaries lacked access to reliable internet or computers, and that they preferred to receive phone calls or text messages instead of reading printed materials. No phone number also means returning citizens can't be easily contacted socially or professionally. Unfortunately, the nonprofit felt obligated to stick to their original plan and deliver the toolkit of written instructions as required by the funded proposal, even though new information suggested a different approach would be more effective in achieving their (and their funder's) intended outcome.

Another partner of SCSJ who works in the at-risk youth space shared a similar dilemma. Her organization is supported by a small but generous funder that has strict reporting requirements and expects grantees to demonstrate their impact and outcomes using quantitative data and indicators. As a result, this leader has long felt she had to prioritize the activities and services that were more trackable and measurable, such as the number of hours of tutoring, the test scores of the students, and the attendance rates of mentors. However, what shows best may not do best. This leader has had to neglect or cut back on the activities and services that were less trackable and measurable, such as the personal relationships between mentors and mentees, the social and emotional skills of students, and the feedback and satisfaction of the participants— even though these more qualitative services are generally thought to be quite effective.

On the other hand, SCSJ has also experienced the upside of funder flexibility and unrestricted support. When the pandemic hit, the organization was at the beginning stages of an ambitious redistricting education program. The proposal that received funding required in-person redistricting trainings across multiple southern states. As COVID spread and SCSJ was forced to cancel travel and caterers, we had a thought: What if we shifted the whole program to online delivery? Knowing that time was of the essence, the team went full throttle on reorganizing and delivering the workshops online, and SCSJ

considers the program to be one of the most successful we have implemented. It not only met its original objectives but generated additional impact by reaching a number of community members who otherwise might not have been able to participate due to mobility issues. SCSJ was able to adapt quickly knowing that most of the funders of the program were flexible and trusted us to do what made the most sense.

Unrestricted support for organizations is strategic because the need to pivot is the norm rather than the exception. Our world is dynamic, and nonprofits don't have a crystal ball. Unrestricted funding acknowledges the reality that organizations also need to be dynamic and empowers leaders to make decisions that drive impact.

Leveraging Relationships to Learn and Respond as Funders

Trust-based philanthropy is rooted in the idea of building open and trustful relationships between funders and grantees. These types of relationships allow funders to have a deeper understanding of organizational needs and be responsive to them, just as general operating support allows leaders to be more responsive to their communities and other stakeholders. Better relationships between funders and grantees create space for leaders to share their concerns and challenges—and even their failures. Trustful relationships are conducive to a learning environment and allow for more meaningful and supportive funder engagement. This learning and engagement makes it easier for funders to provide strategic support that strengthens organizational capacity and resilience when new circumstances emerge.

Last summer, the Supreme Court agreed to take a case on redistricting in North Carolina that had critical implications for democracy. In a conversation with Woodcock, SCSJ shared that it was working quickly to coordinate with partner organizations and hoped to launch a microsite to serve as an information and coordination hub, if it could piece together the funding to do so. Woodcock responded with a rapid-response grant which was supplemented with other funding to launch the microsite. SCSJ got great leverage out of the microsite, and our capacity to launch it hinged on funder relationships and a level of comfort in sharing emerging plans outside of the realm of typical grant planning and reporting.

In another instance, the Woodcock Foundation learned from a grantee that it was facing heightened security threats as a result of its democracy work. After a conversation with the organization's leadership, Woodcock provided a capacity grant to support the organization in hiring a consultant to make and implement security recommendations. Woodcock engaged in conversations about this topic with other grantees and learned that many were facing similar threats. In response, the foundation

hired the consultant to host a workshop that all grantees were invited to (optionally) attend. SCSJ's leadership chose to participate in the workshop, which covered physical and digital safety recommendations to strengthen the security of organizations and their team members.

Alleviating the Burdens of Grants Administration

Nonprofits are often faced with a frustrating catch-22: Funders want to see low fundraising and administrative costs, but restricted grants and bespoke reporting requirements require significant human capital to manage and fulfill those requirements.

SCSJ is fortunate to have two team members focused on development and grants management, but this is not the norm for many organizations, especially small, grassroots, or startup organizations. In many cases, executive directors and other program leaders are forced to stretch their capacity even further in order to satisfy funder demands. Every new restriction and reporting requirement tied to their funding requires time and attention that could otherwise be spent focusing on their programs and their impact. In addition to the direct cost, there is evidence that more time spent on grants administration and other funder requirements adds to fatigue and burnout for already stretched nonprofit leaders.

There are several core practices of trust-based philanthropy that reduce the grants administration and fundraising burden on nonprofits. In addition to providing unrestricted support, which requires less administration and planning than project-specific grants, funders can also provide multi-year support, which translates to greater funding stability from one year to the next. Funders also have significant discretion in what kind of reports, if any, they require from grantees.

The Woodcock Foundation recently made reporting more flexible after asking our grantees what works well for them. Some of our grantees provide annual reports or forward reports created for other funders. Others have a grant reporting call with the foundation's team in lieu of a written report. It's up to the grantees what works best for them. From the foundation's perspective, it is strategic to provide organizations with support in a way that minimizes administration and maximizes funds and team member time available for program work. As an added benefit, we have found that actual conversations in lieu of reports can foster better relationships and help the foundation to understand its grantees' work in more nuanced ways.

For grantees, flexibility on the part of funders goes a long way, and this ties back to the value of relationships as well. At SCSJ, when a development team member needed to take time off for a family emergency ahead of a reporting deadline for a major funder, our choice was to take time away from other priorities to finish the report or to ask the funder for accommodation. Our relationship with the

program officer in question made us feel comfortable asking for an extension, to which the program officer quickly agreed. As funders, fostering the kind of relationships with grantees that makes them comfortable asking for flexibility can be tremendously valuable in reducing stress and burnout.

Enabling Lean Funders to Drive Impact

The majority of grantmaking institutions are leanly staffed, with a recent Council on Foundations report revealing a median staff size of four. While the very largest foundations are set up to build out their own strategies and fund organizations that specifically fit into those strategies, this is probably not the most efficient or effective approach for the average foundation. A trust-based approach to philanthropy enables funders to be strategic while staying lean, through valuing and honoring the expertise of the leaders who we fund. Philanthropy is increasingly recognizing that people who are from the communities they serve and who are most impacted by issues are perhaps best positioned to come up with solutions.

As a leanly staffed foundation, Woodcock finds great leverage in betting on, believing in, and supporting the leaders of the organizations we fund. We apply a trust-based approach on top of a belief in evidence and impact. We build relationships with leaders and their organizations, get to know their work, and build an understanding of their approach to impact evaluation. We have conversations about how the lived experience of leaders informs the solutions they've designed or how they engage their stakeholders in designing solutions that work for them. As a funder with multiple priorities, the foundation is able to work across multiple issue areas without staffing up in individual program areas. Instead, we trust the leaders we fund and demonstrate it through trust-based practices that leverage their experience and expertise.

Embracing Trust-Based Philanthropy as Strategic

For funders looking to be strategic and effective, we encourage you to consider practicing a trust-based approach to philanthropy. One of the easiest and most effective first steps we recommend is providing unrestricted or general operating grants. Going further, consider multi-year support, especially for organizations you already expect to support for more than one year. We also suggest talking to your grantees. Participate in mutual accountability by asking your grantees not just how they can be more effective but how you as a funder can more effectively support them.

For grant-seeking organizations, we offer the following:

1. Be transparent and honest with funders about your needs, challenges, and successes. Share your learnings and feedback with your funders and invite them to do the same.

2. Ask for unrestricted, multi-year grants that allow you to allocate funds where they are most needed and reduce administrative burdens. When accepting restricted grants, include sufficient overhead and contingency funds in your budgets and ask for them to be included.

3. Seek to build mutual trust and respect with your funders through open communication, collaboration, and dialogue. View your funders as partners, not patrons, and treat them as such.

4. Advocate for more trust-based practices in the philanthropic sector and join networks of like-minded nonprofits and funders.

5. Be willing to say no to restricted funds that don't match your core mission or don't fit with your strategic plan.

Trust-based funding frees organizational leaders from micromanagement that can slow down their capacity to do the work they want to do and focus on the impact they want to have. A trust-based approach changes the dynamic between funders and grantees and reallocates resources from overhead to programs. Given the growing complexity of today's challenges and opportunities, foundations and nonprofits must become nimbler and more responsive. And with philanthropy's outsized influence on how the nonprofit sector operates, foundations must be willing to examine how the status quo may be inadvertently inhibiting the impact they want to see.

Trust-based funding acknowledges the expertise of nonprofit leaders and the dynamism of their environments. It creates flexibility and enables leaders to act strategically, improve resource efficiency, and take advantage of emerging opportunities. Ultimately, it increases the power of leaders to drive change. And *that* is strategic.

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