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High-Engagement Philanthropy : the grantee's perspective

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Abstract

In the 1990s, the practice of high-engagement philanthropy emerged as a topic of debate amongst the United States 'foundation community'. Since then, it has become a common method of grantmaking among many funders. Foundations that adopt this grantmaking style – one in which they work in close partnership with their grantees – claim to create greater impact by significantly increasing the operating capacity of the organizations that they fund. Proponents of the practice have written extensively on the need for longer-term, larger grants that include technical assistance and contingent funding plans. Other perhaps more cynical observers suggest that 'high-engagement philanthropy,' at times termed 'venture philanthropy', is simply a new name for a style of grantmaking that has existed for decades. They also doubt whether it is more effective than 'traditional' grantmaking in which funders offer little more than a cheque and maintain minimal oversight after the grant has been awarded.

To date, research has not analyzed high-engagement philanthropy from the point of view of grant *recipients*. The discourse so far has centred on why funders themselves should, or should not employ a high-engagement style. The purpose of this paper, therefore, is to bring grantees into the discourse on high-engagement philanthropy in order to begin to understand the benefits and costs from their point of view. It focuses on one set of high-engagement grants given to a group of early childhood education centres in a small city in the U.S. state of Pennsylvania.

The five grant recipients interviewed for the study strongly supported the high-engagement nature of the grants in question, and also indicated that, in general, they preferred a high-engagement approach to philanthropy. Although there are a number of limitations that arise from focusing on such a small set of grantees and one set of grants, it is hoped that this research will stimulate further inquiries into high-engagement philanthropy from the viewpoint of the grant recipient.

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1. Introduction

1.1 Overview of High-Engagement Philanthropy

'High-engagement philanthropy' refers to a style of charitable giving in which the donor establishes a close relationship with the grantee. In contrast to more 'traditional' philanthropy, in which the donor simply writes a cheque and has little further contact with the recipient organization, high-engagement donors tend to remain in close contact with their grantees over a longer period. What is more, they often offer non-monetary (or 'technical') assistance in addition to funds, and work with the grantee to assess performance impact.

The concept of high-engagement philanthropy became popular in the late 1990s, when Letts et al, published an article in the *Harvard Business Review* (1997). They argued that many grant-making foundations did not place enough emphasis on helping non profit organisations (referred to as nonprofits) to build efficient, self-sustaining infrastructures and to increase their capacity to deliver services. This failure on the part of foundations, the authors argued, forced grant recipients to spend too much time searching for funds and too little time delivering services. The authors called on foundations to adopt practices typical of venture capitalists. Specifically, they advocated the need for: closer relationships between foundations and grantees; larger grants over sustained periods; and the adoption of performance measures and exit strategies. Such tactics, they argued, would enable nonprofits to grow and develop capacity while focusing on service delivery rather than fundraising. This idea of providing capital to nonprofits in such a way as to increase effectiveness is the core motivation underlying high-engagement philanthropy (Morino and Shore, 2004).

Changes in the external environment fuelled donor excitement over this high-engagement concept. The technology boom of the 1990s had created vast amounts of new wealth, and the owners of that wealth were more inclined to act as investors rather than as traditional philanthropists (Goldberg, 1997, Morino and Shore, 2004). At the same time, reductions in government spending left a gap in sustainability funding. As a result, foundations increasingly recognized a need to supplement seed money for new projects with longer-term technical and monetary support (Capers et al, 1998, Morino and Shore, 2004).

However, it was not only the funding environment that was changing; so too were other elements. Notably, the field of social enterprise was emerging. Social enterprise comprised hybrid organizations that operated revenue-generating businesses for-profit/not for profit while pursuing social missions (see, for example, Dees 1998). These social enterprises needed equity investments, but because they offered low financial returns they had trouble attracting

traditional forms of capital. 'Venture philanthropists', as high-engagement donors are sometimes known, provided a solution to this dilemma (Capers et al, 1998).

1.2 Rationale for Study

High-engagement philanthropy has become popular among many traditional foundations as the 'new' way of operating, and a number of 'venture philanthropy' funds have emerged to further champion the practice. Organisations such as 'ASHOKA', 'New Profit, Inc.', and 'The Roberts Enterprise Development Fund', to name just a few, have become major players in the funding arena, bringing the concept of high-engagement venture philanthropy to the fore of both policy and practice.

The 1997 *Harvard Business Review* article by Letts et al prompted a flurry of literature touting the benefits of high-engagement philanthropy. However, the vast majority of this work approaches the concept either from a theoretical point of view or from the direct perspective of donors. Few studies have focused on the grantees' perspectives. As a result, little is known about how nonprofits themselves feel about high-engagement relationships with their funders. Do they value the insights, perspectives, and technical assistance high-engagement donors bring to their organizations? Or do they feel that foundations provide an 'ivory tower' point of view and that the 'real' knowledge lies in the field with the grantees? Are the benefits of larger and longer-term grants worth the stringent requirements often attached to the funds? Is the technical assistance received worth the challenges faced, and the resources spent on increasing organisational capacity?

The literature is replete with success stories about funding partnerships that have led to organisational growth, enhanced capacity, and greater social impact. However, this research has, by and large, been carried out by promoters or exercisers of the concept, with little thought to potential drawbacks or challenges imposed upon recipients of high-engagement grants. Because high-engagement philanthropy by its very nature requires a close partnership to form between funder and grantee, it is essential to understand how the latter perceives the practice. Do nonprofits view high-engagement philanthropy as helpful, or as a hindrance, as they work to improve their organizational capacity and create more lasting social impact?

In an attempt to begin to address this question, this paper explores the grantees' perspectives in relation to a series of high-engagement grants administered by 'The Heinz Endowments' (Pittsburgh, Pennsylvania, USA) and the 'York County Community Foundation' (York, Pennsylvania, USA). The Heinz Endowments are known for their high-engagement grantmaking (Strom, 2004). Through the course of these grants, the two foundations established long-term partnerships with the grantees that were characterised by strict

requirements and demands for measurable results. This paper examines the perceptions of grantees. It explores the practice of high-engagement philanthropy in general and the advantages and disadvantages of the high-engagement nature of these grants specifically. It proceeds as follows.

Section 2 reviews the literature on high-engagement philanthropy, and examines its characteristics, as well as its potential benefits and drawbacks.

The methodology used in carrying out this research is explained in section 3. This section sets out the approach and design of the study, explaining the rationale, and discussing the limitations of the chosen method.

Section 4 offers background information on the grants examined.

The research findings are reviewed in section 5, followed by analysis and discussion in section 6. Section 6 also summarises the author's conclusions and suggests areas for further research.

1.3 Notes on Terminology

Although 'high-engagement philanthropy' is often contrasted with 'traditional philanthropy', there is significant controversy over whether these two terms are actually distinct. This controversy points to the argument, discussed later in the review of the literature, that high-engagement philanthropy is just a new term for a grantmaking style that has existed for some time. That said, this paper adopts a key assumption underlying much of the current literature on high-engagement philanthropy. It uses 'traditional philanthropy' to describe short-term grants with little funder involvement beyond the award of monetary funds. 'High-engagement philanthropy' is used to describe a grantmaking style in which funders establish a relationship with their grantees that goes far beyond the awarding of funds. It is important to note, however, that this paper does *not* make a value judgment about which form of grantmaking is 'better'. Rather, the terms 'high-engagement' and 'traditional' philanthropy are used simply to distinguish between two different grantmaking styles.

Another point to bear in mind is that 'high-engagement philanthropy' is sometimes referred to as 'venture philanthropy'. In many ways the two terms are defined in similar ways (specifically, that the funder has a close relationship with the grantee). The difference between the two however, is that venture philanthropy funders tend to focus on the application of venture capital principles of investment to their grantmaking. Though this paper focuses on the more general concept of high-engagement philanthropy, it also incorporates the literature based on venture philanthropy.

2. Literature Review

This section reviews the existing literature on high-engagement philanthropy. It explores the definition of high-engagement philanthropy, the potential benefits of a high-engagement approach, and the often-cited connection to 'venture philanthropy'. The literature reviewed provides a clear overview of the rationales for, and criticisms of, high-engagement philanthropy *from the perspective of the grantmaker.* As indicated earlier, the implications *for the grantee* of a high-engagement approach to philanthropy are not given consideration.

2.1 Defining High-Engagement Philanthropy

Since the appearance of Letts et al.'s article in 1997, the concept of high-engagement philanthropy has been the focus of numerous articles and discussions, all of which seem to have disparate views of what 'high-engagement philanthropy' actually means. However, the consensus about high-engagement philanthropy is that it is a grantmaking style in which the funder establishes a close and lasting relationship with the grantee (Capers et al, 1998; Gose, 2003; Harvard Business School Initiative on Social Enterprise, 2000; Kramer, 2002; Letts and Ryan, 2003; Letts et al, 1997; Morino and Shore, 2004; Skloot, 2000; Vesper Society, 2000; Wharton Public Policy and Management Department, 2003). As indicated earlier, Letts et al (1997) had criticised grantmaking foundations for focusing too little attention on helping nonprofits to build self-sustaining infrastructures and to increase their capacity to deliver services. This failure, the authors argued, forced nonprofits to focus too much time on fundraising and therefore limited their ability to create social impact. High-engagement philanthropy offered a framework for encouraging foundations to work in partnership with their grantees, rather than simply writing a cheque and providing limited oversight.

There are four other characteristics of high-engagement philanthropy that are generally agreed upon in the literature. First, the duration of high-engagement grants tends to be longer than that of more traditional grants (Capers et al, 1998; Harvard Business School Initiative on Social Enterprise, 2000; Letts and Ryan, 2003; Vesper Society, 2000; Wharton Public Policy and Management Department, 2003). Often high-engagement funds are committed for several years. Letts and Ryan (2003) found the average length of a grant to be seven years. This stands in sharp contrast to more traditional grants, which are often given for just one year at a time and require the grantee to re-apply year after year. The hope among high-engagement philanthropists is that by offering longer-term, and often larger, grant commitments, the resources nonprofits formerly spent on fundraising can be dedicated instead to service delivery.

Second, high-engagement funders often develop exit strategies (Capers et al 1998; Harvard Business School Initiative on Social Enterprise, 2000). Instead of offering fixed-term grants,

high-engagement philanthropists will generally provide support until the grantee is either able to sustain itself, has the capacity to find other long-term funders, or has fulfilled its mission. Alternatively, the funder may exit early if it is clear that the requirements of the grant are not being met.

A third characteristic of high-engagement grants is that they often include technical assistance (Capers et al, 1998; Harvard Business School Initiative on Social Enterprise, 2000; Kramer, 2002; Letts and Ryan, 2003; Vesper Society, 2000; Wharton Public Policy and Management Department, 2003). This may come in the form of the foundation offering advice to the grantee and/or in the foundation commissioning outside experts to consult with the grantee. Assistance may include advice in relation to issues such as strategic planning, management, use of technology, finance, marketing, and legal dilemmas – essentially anything that helps the nonprofit to develop organisational capacity.

Finally, high-engagement grantmakers generally demand measurable outcomes and impact (Capers et al, 1998; Gose, 2003; Harvard Business School Initiative on Social Enterprise, 2000; Kramer, 2002; Letts and Ryan, 2003; Vesper Society, 2000; Wharton Public Policy and Management Department, 2003). They have spent significant resources 'investing' in their grantees, and want to be reassured that their efforts have made a difference. Grantmakers often play a role in establishing the performance metrics, working with the grantee in order to determine how to best assess performance. Specific goals and targets must often be reached throughout the life of the grant in order for funding to be continued.

These high-engagement philanthropy characteristics come together to represent a more thorough approach to grantmaking than is generally offered through more traditional forms of philanthropy. The foundation is interested in supporting the development of the nonprofit as a whole, not just one programme or project. In order to build capacity, sustained capital support is critical, and it is to this topic that the paper now turns.

2.2 The Need for High-Engagement Philanthropy

In order to grow and to increase their impact and effectiveness, nonprofit organizations need sustainable sources of capital. Such consistent funding, however, is difficult to obtain in the traditional philanthropic world, where foundations give relatively small and short-term grants, often for specific projects or programmes.

Many advocates of high-engagement philanthropy believe that a lack of capital prevents much of the nonprofit sector from developing stable and sustainable organisations (Harvard Business School Initiative on Social Enterprise, 2000; Letts et al, 1997; Morino and Shore, 2004; Ryan,

2001). William Ryan articulated the problem in a report to the Rockefeller and the Fannie Mae Foundations: "[P]erformance and capital are inseparable. Nonprofits need capital to perform, yet no one wants to provide capital to a nonprofit that is not capable of performing" (Ryan, 2001: 5).

Furthermore, when nonprofits do perform well, the capital that they receive is often not enough to meet the increased demand for services that the nonprofit then faces. They may indeed see a rise in donations, but this is often a one-time occurrence rather than a sustained increase, and it is rarely large enough to attract the capital needed to nurture long-term growth and impact (Morino and Shore, 2004).

It was this problem that Letts et al (1997) identified when they advocated a 'new' type of philanthropy – one that encouraged nonprofits to spend time assessing their strengths, needs, and goals. They urged foundations to: "… find new ways to make grants that not only fund programmes, but also build up the organisational capabilities that nonprofit groups need for delivering and sustaining quality …" (ibid. 37). It was out of this need for longer-term, reliable operating funds and technical assistance that high-engagement philanthropy grew.

2.3 Just Like Venture Capital?

High-engagement philanthropy is often referred to as venture philanthropy because of its similarity to venture capital practices. This paper therefore includes literature on venture philanthropy in its background research.

Venture philanthropy funds[1] operate in ways similar to venture capital funds. They: 'invest' in their grantees - offering larger grants over extended periods; offer organisational support and assistance beyond the monetary cheque and; sometimes even hold places on grantees' boards. They demand measurable performance standards and have exit strategies in place. Many venture philanthropists in fact earned their investment funds as venture capitalists.

Critics object to the analogy between venture philanthropy and venture capitalism on the grounds that venture capital practices are inconsistent with the social sector's core values (Berresford, 2003; Capers et al, 1998; Kramer, 1999). For example, the failure rate of venture capital investments is quite high, with more organizations folding than succeeding. It is unlikely that foundations would be satisfied with such a dismal success rate (Kramer, 1999). Furthermore, though venture philanthropists do establish close relationships with their grantees, they are rarely as controlling as venture capitalists are over their investments (Berresford, 2003; Kramer, 1999). Another issue is that performance measurement in the for-profit world can appear more straightforward than the non-profit world, and venture capitalists often focus on

short-term results. In the nonprofit sector, however, performance metrics can be much more elusive, and impact rarely occurs quickly. Venture philanthropists, therefore, often have different goals than venture capitalists (Kramer, 1999), and rarely expect such quick returns on their investments (Berresford, 2003).

The long-term usefulness of the term 'venture philanthropy' remains to be seen. Certainly, venture philanthropists continue to believe in its worth. However, many foundations have chosen the term 'high-engagement philanthropy' to describe their grantmaking styles, and it is this term that this paper uses for its analysis.

2.4 A New Concept?

Finally, it should be noted that disagreement exists over whether high-engagement philanthropy is in fact a 'new' phenomenon (Berresford, 2003; Gose, 2003; Kramer, 2002; Wharton Public Policy and Management Department, 2003). Many argue that its core elements – close engagement between funders and grantees, a focus on building operating capacity, and clear performance expectations – are not new at all, and in fact have been " … among the trademarks of effective philanthropy for decades …" (Kramer 2002: 38).

However, the fact remains that high-engagement philanthropy is topical in today's philanthropic world. The aforementioned literature touts its benefits and criticises its drawbacks. In doing so, however, it focuses almost solely on the grantmaker's point of view. This paper will now explore how grant *recipients* perceive high-engagement grants.

3. Methodology

This section outlines the research strategy used to address the questions raised in sections 1. and 2.

3.1 Research Question and Design

In an attempt to understand grant recipients' perspectives on high-engagement philanthropy, this research focused on the five recipients of a series of high-engagement grants, given in 1999 by the Heinz Endowments and the York County Community Foundation through an initiative called '*Focus On Our Future'* (for background information on these grants, see section 4.0). The nature of the research is exploratory, as there is no existing theoretical model that addresses the topic. What is more, as stated above, no systematic research has been carried out that examines high-engagement philanthropy from the perspective of the grantee.

The key research question was:

- How do recipients of high-engagement grants feel about the 'high-engagement' nature of those grants?

Specifically, existing literature explains that high-engagement philanthropy generally implies the following.

- A close partnership between funder and grantee.
- Larger grants with a longer-term commitment of funds.
- Technical assistance.
- Performance metrics and measurable goals; and
- the threat of funding withdrawal, should certain expectations not be met.

Against this background, I pose the following questions.

Do recipients of high-engagement grants perceive that the benefits of high-engagement philanthropy (i.e., larger grants, longer-term funding, and increased organisational capacity) consider they are worth the increased time and effort required to satisfy the conditions of the grant (i.e., meeting specific goals and reporting back to the funder on progress made)? Or, do grantees prefer a more traditional grantmaking style, in which the funder simply offers a cheque and maintains minimal oversight? Or, does the answer lie somewhere in between these two positions?

3.2 Approach

The exploratory nature of this research meant that a qualitative approach was most appropriate for addressing the research questions. The research involved gathering and interpreting data – positing generalisations, developing new concepts and elaborating existing ones, providing insights, clarifying complexities, and developing theory. In the words of Selltiz, it was part of a "… continuing search for truth in which tentative answers lead to a refinement of the questions to which they apply …" (Selltiz et al, 1959: 23). A qualitative approach allowed for the interpretation of complex data and for the exploration of various perspectives (Peshkin, 1993; Yin, 2003).

Based on an analysis of the documents in relation to the focus grants (see section 4.0) and the relevant literature (see section 2.0), a semi-structured interview was designed. The aim of the interview schedule was to ensure a consistent approach as well as minimise bias. Within this format, the interview consisted of open-ended questions - designed to allow respondents to fully

explain their answers. The interview was piloted for clarity and relevance with the grantmakers (including representatives from the York County Community Foundation and from *Focus On Our Future*) and a team of nonprofit consultants.

3.3 Implementation

Semi-structured interviews were conducted on the telephone with the directors of the five early childhood education centres that received the grants. One centre had two directors, so a total of six interviews were conducted. Each interview lasted approximately 30 minutes, and was preceded by an explanation of the research and assurances of confidentiality. Interviewees were encouraged to speak freely, use their own words, and provide specific examples.

The interview consisted of 10 open-ended questions that addressed topics including the following.

- The centre's motivation for applying for the grant.
- The alignment of the funders' and grantee's priorities.
- The impact of technical assistance.
- The extent to which the funders listened to, understood, and responded to the grantee's needs.
- The perceived success or failure of the grants; and
- the grantee's views, based on their experience with this grant, on high-engagement philanthropy.

The full interview protocol can be found in Appendix 1.

Interviews were transcribed verbatim and then analysed. A "grounded theory" approach (Glaser and Strauss, 1967) was used to analyse data, in order to seek out key ideas and patterns. Each transcript was coded based on themes identified during the initial readings (Strauss and Corbin, 1998). These themes served as the basis for sections 5.0 and 6.0 - the results and discussion/conclusion.

3.4 Limitations

Although each grantee in the '*Focus On Our Future'* initiative participated in the interviews, the number of people interviewed was small. There were only five recipients of a single set of grants and respondents were all from the same geographical area. It is possible that respondents were reluctant to criticise the funders and/or the grants for fear of losing future support. Although respondents were offered assurances that none of their comments would be attributed to them, it is possible that fear of displeasing their funders could have remained.

Also, since the grantees all worked in the same community and networked with each other on a regular basis (see section 5), it is also possible that through both formal and casual conversations amongst themselves they formed joint opinions regarding the funders and the grants.

Increasing the number of respondents might address these issues. Such an increase was beyond the scope of this research, but needs to be considered for future research. For a fuller discussion in relation to this point see section 6.

4. The Grants: Background

This section provides background about two sets of grants that were awarded through the '*Focus On Our Future'* initiative, for its work in addressing the quality of early childhood education in York County, Pennsylvania, USA. The first set documented here included *planning grants* and provide the context for the full scope of work conducted by *Focus On Our Future.* They reflect the high level of cooperation and collaboration that characterised the initiative throughout. The second set included quality/capacity-building grants. It is these grants that form the focus of this paper.

4.1 Current Issues in Early Childhood Education

Over the past several decades, issues surrounding early childhood education have received increased attention across the United States, both by practitioners and policymakers at all levels of government. There has been an increase in awareness, firstly of the benefits of high quality early childhood education for children and families, and second, of the components and requirements for providing high quality programmes (Schultz et al, 1996). For example, researchers found that in relation to school achievement tests, grade point averages, rates of retention in grades, and placement in special education (Castro et al, 1986), children who receive high quality early childhood education in elementary school outperform those who have not had the benefit of similar provision. Furthermore, the benefits appear to extend beyond elementary school. Research also shows that every $1 (USD) spent on high-quality early education programmes can save society $7 in future costs in special education, delinquency, crime control, welfare, lost taxes, and other areas (Karoly et al, 1998).

That said, early childhood education providers face a number of obstacles to offering high quality programmes. The diversity of public funding streams makes it costly and complicated for local providers to manage the multiple tasks of proposal preparation, reporting, accounting, compliance with standards, and crafting a coherent approach to service provision and staffing.

Additionally, local agencies have difficulty in reconciling different stances on quality and a lack of coherent government regulation. Moreover, the number of different programmes makes it difficult for policymakers to understand the cumulative effects of existing spending patterns (Schultz et al, 1996).

Due to these challenges and inconsistencies at the level of national government, quality in early childhood education is often shaped by local decisions and the influence of non-governmental organisations (Schultz et al, 1996). The National Association for the Education of Young Children (NAEYC), for example, is a national nonprofit organization that is focused on improving the quality of early childhood (birth to age three) programmes. Local early childhood education providers often seek accreditation by the NAEYC, and such accredited bodies are recognised nationally as offering high quality programmes.

Management of early childhood education centres is "… complex, consequential work …" (Schultz et al 1996: 11). However, the career development system for local early childhood education administrators is " …fragmented and random rather than coherent and purposive …" (Schultz et al, 1996: 11). There is no single credential for managers in this field.

To summarise, the field of early childhood education is plagued by inconsistencies in funding, regulation, and standards. The grants that form the focus of this paper should be seen in the context of addressing these complex issues.

4.2 Planning Grant

In 1994, the Heinz Endowments (referred to as 'Heinz' from here) and the Pew Charitable Trusts (referred to as 'Pew' from here), working together, invited organisations from across the U.S. state of Pennsylvania to submit proposals for addressing the unmet needs of children aged from zero to five years. In accordance with a requirement of the grant process, the community foundation in York, Pennsylvania, the York County Community Foundation ('the Community Foundation'), formed a partnership ('the Partnership') with the United Way of York County ('United Way') and Pennsylvania State – York University ('Penn State – York'), in order to develop and submit a proposal on behalf of York County.

During this period, issues surrounding early childhood education were receiving increased national attention. The term 'tri-lemma' was coined to describe the pressing issues of quality, affordability and accessibility that were facing the sector (Morgan, 1986). Based on its considerable knowledge of community resources and services, the York County Community Foundation hypothesised that early childhood education needs were not being adequately met in York County, and participated in the Partnership to test out its hypothesis through a study.

The Partnership interviewed parents, employee benefits managers, and educators in order to assess unmet needs relative to children from infancy to the age of five. These efforts confirmed that the early childhood education tri-lemma was a significant unmet need in York County. Thus, the Partnership prepared a proposal for Heinz and Pew requesting funds to develop a plan for enhancing early childhood education in the community. The Partnership was awarded $10,000 to undertake such a planning process.

The Partnership used this grant to establish a committee of approximately thirty civic leaders to study early childhood education issues and their oversight of plan development. This resulted in a report that documented the need for enhanced early childhood education in York County and defined the range of challenges presented by the early childhood education tri-lemma. It further called for a sponsor to house an on-going early childhood education initiative and to provide organisational infrastructure to ensure that the initiative could be sustained. The initiative became known as *Focus on Our Future* (*FOOF*), and the United Way became the sponsor.

Heinz and Pew, who had retained responsibility for overseeing the plan's progress, engaged experts in the field of early childhood education to offer planning and technical assistance to *Focus On Our Future (FOOF)* as consultants. Drawing on input from the consultants, a special task force on funding reported that that public funding was likely to be the only long-term solution to the tri-lemma issues identified throughout York County. However, the task force also concluded that public funding should be supplemented by a private funding component, similar to that seen in U.S. higher education. On behalf of *FOOF*, the York County Community Foundation put forward this idea for providing the private funding component to the Heinz Endowments. Heinz enthusiastically embraced the idea and requested a grant proposal.

4.3 Quality/Capacity-Building Grant

The Community Foundation, on behalf *of Focus On Our Future*, requested funds from the Heinz Endowments to underwrite a local competitive grant programme. Under the scheme, grants would be awarded through the Community Foundation to a limited number of early childhood education centres, based on the strength of proposals that addressed the following issues.

- Documented service to low-income families.
- The commitment and capacity to immediately design and implement initiatives to improve the quality of their programmes.
- The commitment and capacity to achieve accreditation through the National Association for the Education of Young Children within three years; and
- the commitment and capacity to build a permanent endowment from private donors.

Heinz agreed to add $1 to every $3 in endowment raised by each grantee, and capped this match at $250,000 total for all grantees. Each grantee established its endowment goal according to what it reasonably considered could be raised. None of these organisations had previously attempted to raise money for an early childhood education endowment.

In addition to the funds that would be distributed to the early childhood education centres, the Community Foundation requested an additional $160,000 from Heinz to establish a central endowment at the Foundation. This endowment would be used to continue to support *Focus On Our Future* or other initiatives aimed at improving the quality of early childhood education in York County.

In 1999, the Heinz Endowments approved the grant to the Community Foundation. This grant consisted of:

- $250,000 to be used by the early childhood education centre grantees to support endowment-building efforts;
- $160,000 to establish a central endowment at the Community Foundation; and
- $90,000 to be used by the early childhood education centre grantees to improve the quality of their programmes and prepare for accreditation.

Five early childhood education centres were selected on the strength of their proposals to participate in the *Focus On Our Future* programme.

1. Crispus Attucks Association.
2. Otterbein United Methodist Church.
3. YMCA of York and York County.
4. York Day Nursery and Kindergarten.
5. York Jewish Community Center ("York JCC").

All of these early childhood education centres ultimately achieved the required accreditation, and all but one (the York JCC) met or exceeded their endowment goal and received a matching grant from the Heinz Endowments.

4.4 Terms of Engagement

The Heinz grants involved far more than just a monetary input. The Partnership provided extra support to the early childhood education centre grantees and to the larger early childhood education field in York County.

Over the course of the grant (three years), each early childhood education centre received approximately 60 hours of mentoring and coaching. This support was provided by Wheelock College, Penn State – York, and the director of *Focus On Our Future*. It focused on strategies and tactics for improving the quality of early childhood education and for achieving NAEYC accreditation.

As part of their role in the *Focus On Our Future* Partnership, Penn State – York University began offering both undergraduate and graduate degrees in early childhood education, in order to help local providers enhance their skills and credentials. The United Way, for their part, instituted a policy whereby agencies requesting funding for early childhood education programmes had to be accredited, or to be actively working on the accreditation process.

The Community Foundation required grantees to sign a participation agreement. This entailed the following commitments:

- appoint an endowment committee to oversee and actively participate in endowment building efforts;
- attend a series of six training sessions on endowment building over a three-year grant period; and
- establish a firm endowment goal.

These terms of engagement represent typical characteristics of high-engagement grants: technical assistance which focused on building organisational capacity and conditions that must be met in order to receive funding.

4.5 A Note on the Funders

As explained earlier, the Heinz Endowments gave the set of grants to the York County Community Foundation, and these are the focus of this research. The Community Foundation, in turn, distributed the funds to the early childhood education centres. Throughout the interviews, the centre directors often referred to *Focus On Our Future* as one of the funders. In fact, *FOOF* is not actually a funder – it is an initiative and a partnership established by the Community Foundation to provide the bulk of technical support and guidance to the grantees. Thus, when the centre directors refer to *"Focus On Our Future"* in the following section, this should be taken to mean any member of the Partnership (including the York County Foundation, the United Way, and Penn State – York University).

Furthermore, it is important to note that *both* the Heinz Endowments and the York County Community Foundation, based on the conditions they attached to the grants, are considered to be high-engagement funders.

5. Results

This section outlines the results from the interviews conducted with the six directors of the five early childhood education centres who received the Heinz/York County Community Foundation grants through the *Focus On Our Future* initiative[2]. The findings are grouped into themes. Neither the names of the centres nor of their directors are identified.

5.1 Goal Alignment between Funder and Grantee

Grantees offered various motivations for applying for the grants. However, each response focused on a desire to increase the quality of their centre in order to offer children a better start in terms of their education. When asked about their understanding of the funders' interests in making the grants, each director again focused on enhancing the quality of early childhood education. Hence:

> *"They have an interest in children".*
>
> "Focus On Our Future *wanted to create a strong network of early childhood education providers in York County."*
>
> *"They wanted to improve quality.""*

The responses to the two questions on motivation (one on the motivation of the grantee and one on the motivation of the funders) suggest that the two parties had very similar interests. Grantees confirmed this with their responses to the question regarding whether they felt that their priorities were closely aligned with those of the funders. Hence:

> *"There was close alignment – there was no change in our priorities."*
>
> *"The primary need was to continue to find operational funding. We had to adapt to address quality issues, but through the grant we received capital funding for quality."*
>
> *"The basic priorities were identical – early childhood education needs to be improved. The only area of re-alignment was in the assessment of the children. It is difficult for me*

> *to appreciate standardised assessments. But in other areas there was complete agreement."*

Each grantee indicated that, on the whole, their goals and priorities were closely aligned with those of the funders.

5.2 Other Motivations for Participating in the Grants

In addition to the generally held desire to improve the quality of early childhood education, the need to generate funding was also, understandably, critical. Thus:

> *"It is difficult to find money for [early childhood education]."*

> *"[We were attracted by] the financial benefits of stable funding from an endowment. Early childhood education within our organization needed an endowment."*

Also, the centre directors were attracted by the association that they would have both with the funders and with the other participating centres. So:

> *"[We welcomed] the visibility of an association with the York County Community Foundation and Heinz."*

> *"When* Focus On Our Future *moved in, there was the opportunity to 'belong' – we could be part of the learning and also receive financial and technical support."*

> *"It was a chance to be part of a larger community."*

5.3 Clear Expectations

The grants came with clear expectations – namely, that the early childhood education centres had to become accredited and reach their endowment goals in order to receive funding. Comments from the grantees indicate that these conditions were very clear to them. Therefore:

> *"[We knew that] money and quality went hand in hand – in order to receive funds, we had to become accredited."*

> *"Yes, [expectations were clear]. We met with the funders before the grant was given."*

> *"[The expectations were] very clear."*

Each grantee indicated that the conditions and expectations of the grant were clear to them from the outset.

5.4 Technical Assistance

Grantees spoke at length about the technical assistance they received as part of the quality improvement grants. In addition to answering the question focused on technical assistance, many grantees referred to non-monetary assistance as they answered other questions throughout the interview.

> *"The consultants were wonderful. We could not have attained our success without them."*

> *"With* Focus On Our Future*, it is difficult to separate the grant from the [technical] assistance."*

> *"It was the best of both worlds. We received financial backing as well as technical assistance from hands-on consultants."*

One criticism of high-engagement philanthropy is that grantees may feel that the funder is imposing their idea of how processes *should* be undertaken (Vesper Society, 2002). However, the grantees in this study appeared to appreciate the insights and assistance that they received from the funder. So:

> *"Many [early childhood education professionals] are ill-equipped to handle all tasks of the job. Many are not fundraisers and staff trainers. Many parts of Heinz support [these functions]. It makes a huge difference. Many centres do not know how to access funding. We have had assistance from the start. We could pick up the phone at the first problem. It was almost as if we could not fail."*

> *"*Focus On Our Future *was more in tune with our needs than we were. They put our needs into words. We see this in meetings –* FOOF *helps to structure training demands. The issues can be overwhelming and it is useful to have someone help organize the ideas."*

> *"Heinz staff members were professionals. They had already anticipated potential problems."*

5.5 A New Network

In addition to receiving technical assistance from the funders, grantees indicated that they also benefited from closer networking among themselves.

> *"[The grant was] very successful at making the programme and teachers part of something larger – a teaching community."*

> *"When* Focus On Our Future *first came to York, the early childhood education centres were at the point of desperation. We were isolated and had no community.* FOOF *brought us together and the cooperation has helped us to move forward faster. We used to be in competition. Now we exchange information, tips, thoughts on pricing and staffing issues, etc. In cooperating, we have removed the threat of competition*[3]*."*

5.6 Grant-Related Efforts Led to Goal Achievement

High-engagement grants often demand more time and effort on the part of grantees than in the case of more traditional grants. Recipients of the Heinz/York County Community Foundation grants believed that there was a good match between their efforts related to fulfilling the grant requirements and the achievement of their goals.

> *"It was a good match. We received funding, and we now have a more professional staff and better-prepared kids. I still do not completely support standardised assessments, but it has given teachers a clearer understanding of what is required to prepare the children."*

> *"The accreditation process is seen as a burden. It was difficult to convince the staff to support it – we wanted more work from them but offered no extra compensation. But after the initial struggles there was a sense of pride. The staff saw changes in the children. We wanted to stand out and be accredited. That sense of pride has been empowering. Now if we hear or see something that is not right we recognise it. We were not expecting that. It is wonderful. It has brought everyone together."*

> *"There was a good match. It wasn't perfect, but the differences were minor and easy to reconcile. In the end we have a quality centre, we became accredited, and we have a funding base."*

5.7 Two-Way Conversations and Understanding

The centre directors indicated that they felt that the funders listened to, understood, and responded to their needs and priorities.

> *"We visited Heinz. They wanted to hear from grantees about the issues. They were open and did not need to be 'sold'"*

> *"Heinz was a very open listener. So open, in fact, that we did not know what we needed to say in order to receive funding. They wanted to hear from us about our unique needs rather than having us tell them what we thought they wanted to hear."*

> *"They listened well. They had their own vision but the process was not [forced upon us]. There were pre-grant meetings and a fair exchange [of ideas]. There was no doubt that there were certain demands by the funders but that is not odd. There was enough latitude for the centres to address particular issues."*

> *"With* Focus On Our Future *and Gail [Nourse, Director of* Focus On Our Future*,] there was constant communication. They have gone beyond what many would do to get others to hear our needs. They rallied community support – we never had that before."*

5.8 General Thoughts on High-Engagement Philanthropy

Overall, based on their experiences with these grants, grantees were positive in their comments about high-engagement philanthropy.

> *"I enjoyed it. [The funders] were such professionals. They had their own expectations but were right on target with what needed to be done, both in the short and long term. I would prefer high-engagement funding in the future."*

> *"It depends. There are two types of high-engagement grants. Some are too detail-driven. For example, in [another grant] when we lost receipts we could not be reimbursed. It was too detail-driven. Heinz, on the other hand, gave us support but also gave us room. There were hoops to go through, but we were trying to go through them anyway in terms of submitting other proposals. And with the hoops came money."*

> *"[High-engagement philanthropy] is tremendous, and has been a huge benefit to the centre. The worst kinds of grants are through the State, when you must be accountable for every penny and from the commencement of the grant you are committed. It is too*

rigid – you cannot change your mind. And they offer no assistance. Slightly better are 'free grants' (just the cheque), but sometimes those grants are not used well. The best is high-engagement, when you receive both funding and support. It is a win-win situation and hugely beneficial. There is close contact [with the funder]. If there is a mistake in allocating funds you are not tied into it. You can use funds in different ways and have support in getting there."

"I am OK with it, but it must be worth it. You need to measure the return versus the engagement – the return must be high enough to justify the extra time and accountability. There has to be impact. In this case, the by-products have been worth it – the training, the continuing relations, and the quality."

"It is better to have high-engagement philanthropy because it makes us more accountable. It keeps us on our toes and makes us follow through. We needed the push."

5.9 Summary of Results

Overall, recipients of the Heinz/York County Community Foundation grants indicated that this particular experience with high-engagement philanthropy was positive. In fact, not one grantee indicated that they had had a negative experience. The following list summarises the findings.

- The goals of the funders and those of the grantee appeared to be in alignment. Both were primarily concerned with enhancing the quality of early childhood education.
- Conditions and expectations accompanying the grants were made clear to grantees from the commencement of funding.
- The technical assistance provided as part of the grants was seen by grantees to be crucial to their success in becoming accredited and to building endowments.
- Grantees were grateful that participation in the grant programmes led them to create a network among themselves.
- The efforts that grantees made to fulfil the requirements of the grants were strongly correlated with the achievement of their goals.
- There was a high level of two-way conversation and understanding between the funders and the grantees.
- Grantees had positive perceptions of high-engagement philanthropy.

6. Discussion and Conclusion

This research explored grant recipients' perceptions of high-engagement philanthropy. Employing case studies using qualitative methods, the author undertook documentary analysis and interviewed grant makers and recipients of a series of high-engagement grants that focused on increasing the quality of early childhood education.

Existing literature explains the need for high quality early childhood education, and much has been written about why high-engagement philanthropy may yield greater social impact than traditional philanthropy. This literature has proved useful in providing the grantmaking foundation's perspective on high-engagement philanthropy. What the literature does not tell us however, and what this research sought to determine, is how grant *recipients* perceive high-engagement philanthropy. Due to the lack of existing literature in this specific area, rather than test existing hypotheses and theories, this research needed to be exploratory in nature. The findings will serve as a basis for theory development and future research.

Three main themes that are evident from the research findings focus on:

- relations between funders and grantees;
- technical assistance; and
- geography.

This section will now analyse the research findings based on these three themes, exploring implications for theory development and future research.

6.1 Funder-Grantee Relations

The first major observation from the findings focuses on relations between the funders and the grantees. There appeared to be a good 'match' between the two groups. Both shared the main goal of improving quality in early childhood education. They were also in agreement about the best steps to take in order to meet this goal. Funders insisted that, in order to receive the $90,000 quality-building grant, early childhood education centres had to be working toward achieving accreditation with the National Association for the Education of Young Children. Some grant recipients were already working toward this accreditation prior to this stipulation, while for others, the grant provided the incentive to seek accreditation. In both cases, grantees stated that they recognised the importance of accreditation in improving the overall quality of their work. There was no indication that grantees simply worked toward accreditation in order to receive funding – all seemed to recognise the link between accreditation and quality.

Grantees were also eager to build endowments, and expressed gratitude that the funders both offered advice on fundraising as well as providing matching funds. All of the grantees that met the endowment goal said that such funds would help them to improve quality in future.

Grantees also indicated that they were pleased to be working with the Heinz Endowments, the York County Community Foundation, and *Focus On Our Future*. They perceived Heinz and *FOOF* to be experts in the field of early childhood education, and considered these funders could offer valuable insights into best practice in the field. They considered that they were also best placed to assist them in their efforts to improve the quality of their own individual centres. Furthermore, grantees also welcomed being associated with the York County Community Foundation. The Community Foundation has a strong reputation among donors in York County, and to receive funding from them may serve as a signal of the grantee's strength to other potential donors.

There was not only a strong goal alignment between the funders and the grantees. There also appeared to be no false expectations or surprises for the grantees. Centre directors indicated that the expectations and conditions of the grants were made clear by the funders at the outset. Grantees seemed to know and understand what they were agreeing to, and why they were agreeing to it.

That said, the communication was not considered 'top-down'. Rather, grantees reported that funders also listened to, understood, and responded to their questions and concerns. Apparently, funders were readily accessible before, during, and even after the grant period.

Research suggests that grantees highly value the interactions that they have with their funders. A recent study by the Center for Effective Philanthropy (Bolduc et al, 2004: 2) found " … three dimensions of foundation performance that best predict variations in overall grantee satisfaction:

- quality of interactions with foundation staff: fairness, responsiveness, and approachability;
- clarity in the communication of a foundation's goals and strategy: clear and consistent articulation of objectives; and
- expertise and external orientation of the foundation: understanding of fields and communities of funding and ability to advance knowledge and affect public policy."

These three dimensions appeared to be present in the Heinz Endowments and York County Community Foundation grants to the early childhood education centres. Based on the Center for Effective Philanthropy's research, therefore, it should not be surprising that the grantees were so satisfied with the grants and with their relationships with the funders.

6.2 Technical Assistance

Grantees spoke at length about the technical assistance they received through the grants. Many indicated that accreditation would have been impossible without the assistance they received from the consultants. They also appreciated that the funders offered help with fundraising during the endowment-building process.

The technical assistance provided was both broad and deep: broad because it covered a wide variety of issues (from endowment-building to improvement in the quality of service provision), and deep because it involved training, coaching, facilitation, knowledge-sharing, and administrative assistance. What is more, each of the funders brought to the grants a high level of expertise.

- Issues of early childhood education are of key interest to the Heinz Endowments, and through their 'Children, Youth & Families' programme area the Foundation has conducted and supported extensive research on early childhood development (see, for example, Shonkoff and Phillips (2000) *From Neurons to Neighbourhoods: The Science of Early Childhood Development*). Heinz has a wealth of information, expertise, and connections in the area of early childhood education that grantees may (and did) take advantage of.
- The director of *Focus On Our Future* is both highly skilled in programme development and able to interact effectively with high-level community leaders and policy shapers. She is experienced in convening community leaders to address systemic issues. As one grantee indicated, she both " … looks upward to local government, businesses, and Heinz, and also looks below to the early childhood education centres. She is successful in coordinating that … you can just look at funding, but if you do not understand the grantees you cannot get everything out of it. And vice versa. You need to look both ways".
- The York County Community Foundation has an excellent reputation among other donors in York County. The Foundation contributed its expertise in cultivating donors and building endowments.
- Penn State – York University remained involved throughout the grant periods. The University professors brought expertise from the field and provided access to education and training relevant to early childhood education.

Clearly, grantees strongly appreciated the technical assistance provided by the funders. They considered it to be an integral part of their success in building endowments and improving quality. However, when interpreting this finding it is important to keep in mind the nature of the

field of early childhood education. Typically, the field is under-resourced and providers are unaccustomed to being the focus of attention and receiving help. It is possible that grantees in fields and programme areas that have a history of foundation support or that have a well-established set of technical assistance providers available to them may not have conveyed as positive a response to the technical assistance aspect of high-engagement grants. Grantees in the field of early childhood education may have been particularly 'hungry' for the recognition and support.

6.3 Geography

A third theme is that of geography. The funders and grantees were all located, and conducted their work, in the same local community[4] of York County, Pennsylvania. Many grantees indicated that they benefited from being part of a network of providers (see section 5). As indicated by grantees, such a network provided a forum for the sharing of information, ideas, and assistance. However, it may also have instilled a sense of responsibility to each other and to the *Focus On Our Future* initiative. It is possible that such commitment may not have been as strong if the grantees were spread out over a wider geographical area, working with different constituencies and less connected with each other, as well as with the funders.

Also, as indicated both by the grantees and by the funders, there was keen community support for the *Focus On Our Future* initiative, and for the general improvement of the field of early childhood education. Meetings and studies were held at the front end of the grants, and an advisory committee of community leaders was convened to offer input throughout *FOOF's* existence. The prominence and level of visibility of the *FOOF* initiative within the grantees' community may have further contributed to their high level of commitment, and subsequently to their positive response to the structure of the grants.

6.4 Conclusion: Summary, Limitations, and Areas for Future Research

Grantees in this study rated high-engagement philanthropy very highly. The findings showed the following.

- A close goal alignment between funders and grantees.
- Clear expectations and conditions surrounding the grants.
- Technical assistance that grantees found not only helpful but essential.
- The creation of a network among grantees; and
- high-quality interactions between funders and grantees.

The themes developed through analysis of the findings help us to understand the overall nature of the Heinz/York County Community Foundation grants in this study, and offer insights into why grantees may have been so pleased with the grant experience.

However, these themes may not characterize all high-engagement grants. Therefore this study only begins to address the question of how grant recipients view high-engagement philanthropy. In fact, the findings raise as many questions as they answer. These are briefly considered here.

In relation to Funder-Grantee Relations.

1. Grantees commented on the high quality of their interactions with the funders. If the funders had been less accessible, responsive, and clear with reference to their goals and expectations, would the grant recipients still have valued the other aspects typical of high-engagement grants – e.g., technical assistance – as much as they did? In other words, how important a factor was the quality of the interactions?

2. If the funders' and grantees' goals had not been so closely aligned, or if they had different ways of approaching similar goals, would the grantees have been as satisfied with their experience with the funders?

In relation to technical assistance.

1. Grantees offered high praise for the technical assistance they received through the grants, indicating that it was not only helpful but also essential to their efforts in raising endowments and improving quality. Would there be the same overwhelming response in fields or programmes that have a history of foundation support or that have a well-established set of technical assistance providers available to them?

2. How important was the blend of dollars, expertise, and technical assistance? Grantees admitted that they did not possess expertise in all areas related to endowment building and accreditation, and that they welcomed the knowledge and experience of the funders. In other fields or programmes, policies and procedures may be more straightforward. In these cases, would grantees still welcome the input and technical assistance provided, or imposed, by the funders?

Finally, in relation to the issue of geography.

1. How important was geography in establishing commitment to the initiative? If grantees had been spread out and had less contact with each other, and with the funders, would they have

felt as strong a sense of responsibility toward the initiative?

2. How important was the community support? What role did the community's advisory committee play in grantee satisfaction?

3. Could there be a tendency toward shared ideas? Have grantees developed their opinions of the grants and of the funders partially based on conversations they have had among themselves?

This research has provided a strong base for further investigation. It has shown that recipients of foundation grants do in fact distinguish between 'high-engagement' and more 'traditional' grants. In fact the grantees in this study preferred the high-engagement nature of the grants in question. However, as indicated above, no generalisations can be made based on this single case-study. Further research needs to be conducted in order to address the questions raised by this research and to further develop the theory underpinning high-engagement philanthropy.

Notes

1. For example, ASHOKA, New Profit, Inc., The Roberts Enterprise Development Fund, and Venture Philanthropy Partners, to name a few.
2. As noted earlier, funding came from Heinz through the York County Community Foundation as part of the Focus On Our Future initiative. See Section 4 for details.
3. Cooperation among grantees was a requirement of the grants.
4. The Heinz Endowments are actually located about 220 miles (350 km) outside of York. However, the great bulk of their giving is focused regionally in Pennsylvania, as opposed to nationally or internationally (see www.heinz.org).

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Appendix 1

High-engagement philanthropy interview questions:

1. Do you recall what motivated you to apply for the grants? (E.g. what you hoped the grants would mean to you and your centre and what you hoped to achieve through participation in the grant program.)

2. Were the conditions and expectations of the grant program clear to you at the time you were applying for the grants? How would you describe conditions and expectations when you were applying for the grants?

3. What was your understanding of the funders' interests in making these grants? What were the funders hoping to achieve?

4. Were your priorities, as leader of your centre, closely aligned with those of the funders? Or did you have to adjust your priorities somewhat to fit those of the funders?

5. Were you successful in meeting the conditions of the grants? What helped or hindered your success?

6. Thinking back to your response to my first question (your motivation for applying for the grants), how well did your efforts related to grant requirements help you to achieve your objectives?

7. What technical assistance did you receive through the grants? How important was the technical assistance in helping you meet the conditions of the grants? Have there been any continuing or unexpected benefits from the technical assistance?

8. Are there successes or lessons learned from your work related to these grants?

9. How well do you feel that the funders listened to, understood, and responded to your needs?

10. Based on your experience with these grants, how do you feel about grants that come with a promise of high engagement?