

# The California Wellness Foundation

*Grantmaking for a Healthier California*

# Reflections

On Sustainability



The California Wellness Foundation

*Reflections* is a series produced by The California Wellness Foundation to share lessons learned and information gleaned from its grantmaking practices and strategies. This document and others in the series are available on the Internet at [www.tcwf.org](http://www.tcwf.org).

February 2002 • Volume 3 • No. 1

*The concept of sustainability has many layers of meaning. Some have argued that all philanthropy should be viewed through the lens of global sustainability, noting that a concerted effort is required across all fields of endeavor if we are to achieve that critical goal. Along those lines, efforts such as The Natural Step,<sup>1</sup> the Resource Renewal Institute<sup>2</sup> and The Four Worlds International Institute<sup>3</sup> are helping to raise consciousness about the environmental consequences of every detail of the way communities and organizations operate.*

*While I don't disagree that such a global perspective should set the context for any discussion of sustainability, my aim here is more limited. If sustainability of the planet is the macro-question we all must address,<sup>4</sup> the micro-question that vexes grantmakers at all levels is the sustainability of the projects and organizations that they fund. What can be done to improve their staying power, particularly given the emphasis most foundations place on supporting new and innovative ideas?*

*With the recent rapid growth of the philanthropic sector, it seems like the answer to the sustainability dilemma should be clearer than ever, but that's not the case. Indeed, it could be argued that the behavior of foundations—even when they're acting with the best of intentions—can actually exacerbate the struggles that nonprofit organizations face in sustaining their work. It's also important to note that not all foundation-funded projects deserve to be sustained.*

*The California Wellness Foundation designed its first grantmaking initiatives to provide multiyear funding for the collaboratives and projects created with our grant dollars in the belief that it would lay a solid foundation for sustainability. There's no question that long-term funding gives a new undertaking a better chance to “find its footing.” But if we've learned anything in the past 10 years, we now know this type of funding is certainly not sufficient to achieve sustainability once our funds are gone, even if the project has been a success.*

*As part of our recent strategic planning process, our board of directors adopted sustainability as one of five cross-cutting themes that will characterize our work over the coming years. We embark on the next generation of our grantmaking realizing that we have much to learn about this enduring challenge. The purpose of this paper is to share some of our current thinking in order to encourage discussion among our colleagues in the field. It does not aspire to be scholarly, comprehensive or definitive. It is offered in the spirit of mutual learning. As always, we welcome your comments.*

**Tom David, Executive Vice President**

The California Wellness Foundation

# Reflections On Sustainability

By Tom David

Sustainability is an evocative concept that has quickly become part of the vocabulary of organized philanthropy. As with other intriguing ideas, it means many things to different observers. Perhaps the simplest definition might be posed by a grantseeker as follows:

*Foundations will typically give us grants only for time-limited projects for which we may have to hire new staff, buy equipment and take on a variety of unreimbursed indirect costs – yet they expect that we will then somehow find a way to sustain it on our own.*

Even as more and more foundation grants are being made for multiyear periods, I've continued to hear a variety of concerns from nonprofit organizations on the subject of sustainability. For example, they note that short-term outcomes can be difficult to document, and even when they can demonstrate success, they may not be able to return to the same foundation for additional funding to continue their work. Yet if they approach other foundations to continue a project funded originally by someone else, they frequently encounter a distinct coolness to ideas “not invented here.”

Short-term grants require organizations to begin fundraising for “replacement” dollars almost immediately, and the time spent in proposal writing, report writing and meeting with funders can absorb a disproportionate amount of an executive director's time. There is also the challenge of dealing with program officers who believe it is their responsibility to engage in microanalysis of project budgets and second-guess details of program design—sometimes for a \$10,000 grant. This process is particularly burdensome for the leaders of smaller community-based organizations that cannot afford development staff and for whom there are never enough hours in a day.

Perhaps most powerful, however, is the complaint that foundations are not interested in helping agencies with what they *really need* to help sustain themselves. Instead, grant applicants must engage in an elaborate dance to fit the foundation's priorities in order to get funded. And that gets at the larger challenge of sustaining not just a bright idea for a pilot project but providing the critical mass of resources and capacity to assist an entire organization to not only survive but thrive.

## THE STANDARD FOUNDATION RESPONSE

*Traditionally, foundations have assumed that providing funds for new and innovative projects and ideas is the most strategic use of their dollars.*

When I was a program officer, my response to such concerns was typically to empathize with the difficulties applicant organizations might be facing but to note that foundations are “not in the sustainability business.” After all, we all know that foundation dollars are marginal in the big scheme of things and account for only a small percentage of overall charitable giving.

Our efforts are also dwarfed by those funded by government. On the other hand, our independence gives us a unique opportunity to take risks. So, the most “strategic” use of philanthropic dollars is to function as social venture capital and to underwrite only new, innovative activities that have the promise to reform practice and transform systems.

That’s what I believed, and much of current foundation practice is grounded in the same belief system. Just in case that emphasis was not clear enough, foundations typically include a disclaimer in their public documents that they do not provide funding for core operating support, capital campaigns, fundraising or endowments—the very things that many nonprofit organizations would say they most need to sustain themselves.

As long as foundation dollars still accounted for only a relatively small sliver of the nonprofit funding “pie,” that standard response might have been all well and good—although, to be honest, there were certainly organizations that managed to get foundation funding on an ongoing basis. They may not have been able to apply for core support, but they were adept enough at inventing new project ideas—or connected enough to foundation executives or trustees—that they were able to count on foundation dollars to help sustain their operations, despite “official” foundation strictures to the contrary.

## THINGS HAVE CHANGED

*Foundation grantmaking has increased significantly, yet funding for core operations has become harder and harder to find.*

But the funding landscape has changed dramatically in the last 10 years. Nonprofit organizations have experienced a significant erosion of funding from government sources that they had used to support their core operations. Meanwhile, traditional private sources of relatively unrestricted funding have changed their policies. In many locales, the United Way has moved away from providing operating support for member agencies to become a funder of time-limited projects. Similarly, many corporate giving programs have become much more focused in their grantmaking in support of larger company marketing goals.

Simultaneously, foundations have increased in number and in size, fueled by the economic prosperity of the late 1990s and the first phase of a promised intergenerational transfer of wealth of unprecedented proportions. In California alone, 10 foundations now exist with assets of over a billion dollars—a scenario almost unimaginable just a few short years ago.

The wholesale conversion of nonprofit HMOs and hospitals to for-profit status has also created hundreds of new foundations dedicated to health and health care throughout the country, including The California Wellness Foundation. The health foundations in California alone now have a combined annual payout in excess of \$400 million.

It therefore shouldn't come as a surprise that "grantwriting" has become a major industry. Consultants, how-to books and workshops abound to help nonprofit organizations effectively tap foundation dollars. And, most importantly, more and more organizations are now looking to foundations as part of their long-range strategy for sustainability.

Foundations appear to be somewhat in denial about this phenomenon, even as many of them allocate a good percentage of their annual grants to a select cohort of "the usual suspects." Their rationale for such behavior runs something like this:

- We're being strategic in our choices. These are the most effective organizations in our particular fields of interest.
- We support leadership or innovation, not institutions per se. These happen to be the groups with the best ideas or the top leaders in the field.
- Our "cohort" is different from the types of organizations the "old boys" used to support based simply on social connections or the like.

If foundations are willing to help sustain certain organizations—even though they may not call it that or perhaps even think of it that way—shouldn't they at least be more open to having a conversation on this topic with other applicants? I'm not suggesting that all or even most foundation dollars should be committed to the long-term sustainability of organizations. Indeed, I would argue that it is important for foundations to refrain from committing their dollars over the long term in order to retain sufficient flexibility to respond to changes in their environment. Rather, it's the blanket prohibition on such funding that I question.

It's also worth noting that the vast majority of foundation grants continue to be relatively small in size. Grants are much more likely to be in the range of \$10,000 than in seven figures. But to take the perspective of a grantseeking organization for a moment, a \$10,000 gift from an individual would identify him or her as a major donor, the kind of person an agency would logically seek to cultivate as a potential *sustainer* of its work. Why shouldn't an organization look at a foundation the same way?

All of which argues for just a bit less disingenuousness on the part of foundations when it comes to the topic of sustainability. We say it's not what we do, yet with hundreds of millions of grant dollars now available each year, how much of that can we invest in "new" ideas while ignoring the critical infrastructure needs of most nonprofit organizations? Meanwhile, many of us continue to fund the same groups over and over—for the most strategic of reasons—in effect, helping to sustain their work despite our public pronouncements to the contrary.

## WHAT SHOULDN'T BE SUSTAINED?

*A key challenge for foundations is to be more savvy about which projects and organizations are worth sustaining (and which are not).*

One way foundations have responded to this challenge is to raise questions regarding the potential sustainability of a project as part of the initial conversation about a grant request. That strikes me as a bit premature, implying in essence that anything that results in a grant is worthy of being sustained. It seems to me that one should allow time to test the viability and vitality of an idea before committing to funding for sustainability. I would much rather see foundation staff devoting an up-front conversation to plans for sustainability of the applicant organization and how the foundation might help.

That raises an important caveat, which might make some uneasy: Not all foundation-funded projects deserve to be sustained. Not every innovative idea works in practice. Key people in the grantee organization leave to pursue other ventures. Additional needed funding may never materialize. Other projects simply run their course and don't establish roots, either in their host organization or in the community they were designed to serve. Sometimes projects fail because the funder didn't have the patience to stay on board for the duration of its "shakedown" phase, but in other instances the project may have simply reached the end of its lifespan. The challenge to foundations is to recognize the difference between these two scenarios.

Sometimes we continue to fund something because *we* believe it should be sustained rather than because there's any genuine demand for it, perhaps to validate our initial judgment and subsequent investment of dollars. This is a particular risk of initiative-style grantmaking, where the source of the idea is the foundation itself. It can be difficult for a foundation to acknowledge failure when such efforts prove to be unsustainable. Yet if a collaborative or other venture is created solely to receive grant funding to carry out a foundation-designed project, I would argue that the grantee faces a "steep mountain to climb" to achieve ultimate sustainability of the project from inception.

More broadly, sustainability is an inherent challenge of the project funding approach; i.e., the best use of foundation dollars is to support time-limited demonstration projects rather than to fund the more basic needs of organizations such as core operating support. By definition, new projects

present extraordinary challenges for long-term survival. There was a time when foundations saw their role as seeding and testing new ideas that, if they proved their worth, would then receive ongoing funding from government. And, indeed, there were some notable successes of that sort; however, that's far less likely to happen today.

On the flip side, just because an organization has been around for a number of years doesn't mean that it deserves to be sustained. As Sue Kenny Stevens<sup>5</sup> has observed, organizations have life cycles just like people. A dying organization may be the last to recognize the inevitable. The local environment can change dramatically over the years, leaving an organization whose programs have failed to grow and adapt largely irrelevant to the population it purports to serve.

More difficult to confront is the case of a CBO that has become the personal power base of an executive director and an "inner circle" of advisors and retainers. An agency like that may owe its continued existence more to political clout—ensuring a steady stream of local government funding—than to any demonstrated effectiveness of its programs.

Such organizations present multiple challenges. Particularly if they are located in low-income areas, they can monopolize scarce resources in neighborhoods that have the fewest resources to begin with. If their programs are of marginal quality, that damage is multiplied. They can also be extremely resistant to discrepant feedback or suggestions for change. Perhaps most devastating, they may go out of their way to stifle "competition," in the process preventing the emergence of new leadership in a community.

To the extent that such an organization may dominate the landscape in a high need neighborhood, foundations must confront the dilemma: do we help to sustain something with a long history, and perhaps a glorious past, but a dubious present? Good due diligence will help surface the clues about how an agency is regarded by those outside its immediate orbit and whether it has lost touch with its core constituency. In the latter situation, there is not much of a case to be made for ongoing foundation support, except to help "reinvent" an organization that demonstrates a genuine willingness to change.

## FOUR DIMENSIONS OF SUSTAINABILITY

*Organizations need more than money to sustain their work; foundations should look for qualities such as spirit, values, niche and capacity to determine a grantee's potential for long-term success.*

While much of the discussion so far has focused on funding strategies and practices, it's worth stating a simple truth that sometimes gets lost in the grantseeking game: money is only one piece of the puzzle of sustainability. Certainly, being able to pay staff a living wage and having the funds for decent space and equipment are critical resources for long-term organizational survival and effectiveness. But some of the most powerful movements for individual and societal transformation have

relied on the efforts of volunteers and have prospered despite a “bare-bones” organizational structure.

Much of what is central to sustainability lies outside the influence of foundations. We may be able to recognize it and appreciate it, perhaps even nurture it at times. But we cannot control it, and we should be clear on that point. Sustainability, like synergy, cannot be engineered.

There are several dimensions of sustainability and myriad ways to describe them. For purposes of discussion, I would like to propose four: spirit, values, niche and capacity. These are not neat, mutually exclusive categories. Rather, I view them as segments of a circle that “bleed” into one another—overlapping, informing and reinforcing each other and forming a complex, dynamic, interactive whole.

Organizations that have sustained their work with integrity and efficacy over time demonstrate all four of these dimensions in abundance. If one or more of these dimensions is missing, I would argue that an organization is in decline, even if its members may not see it that way. Let us look at all four in more detail.

**Spirit.** Whether there is a single founder or a group of founders, the impulse to undertake an activity and subsequently to start up an organization—its animating spirit—is key to sustainability. That initial energy and exuberance is inevitably tempered with time, but successful organizations find ways to renew that commitment and to infuse new members with the same sense of purpose. It is the wellspring of inspiration that members of an organization draw from in tough times to keep them going, even when they know they are engaged in an uphill struggle. Traditionally, it has been that deeply felt “call to service” that has imbued nonprofit work with a special quality. It is more than just a job.

Spirit can manifest itself in many ways. On a number of occasions, I’ve had grantseekers remark to me: “You know, we’re going to find a way to do this, even if you don’t fund us.” Another example is the rallying cry of the farmworker movement: *Sí, se puede* (Yes, we can). Spirit alone is not sufficient to sustain an organization or its work, no matter how important it may be to a community. But when it fades into the background or is largely forgotten in the pursuit of personal or political agendas, something essential is lost.

**Values.** If spirit provides the initial spark and enduring “heart” for an organization, the degree to which it is able to articulate, teach and live its core values with integrity constitutes the foundation and structural framework on which organizational life is built. Virtually all nonprofit organizations have idealized mission statements that speak to their dedication to improving social conditions and transforming the communities in which they work for the better. How is that mission operationalized in its daily life?

Does the organization take the time to spell out its core values and ensure that those values infuse all aspects of its work? Are the leaders of the organization able to create and maintain an internal culture characterized by mutual respect, trust and professional integrity? Does that internal culture, in turn, shape the way the organization deals with its constituents or clients? Do they not only “talk the talk” but also “walk the talk?”

If learning is a core value of the organization, is it truly committed to receiving feedback about how it is perceived, not only by its own members but also by those outside the inner circle? Does it hold itself accountable for living up to its values—the essence of good stewardship? A coherent, cohesive organizational culture shaped by strongly held values is key to attracting and retaining excellent staff. It is also the prerequisite for sustaining high-quality services and products over time.

**Niche.** Even an organization that operates with the highest level of integrity must also deeply understand and “fit” within its local social ecosystem if it is to achieve sustainability. Most U.S. nonprofit organizations now operate within a dynamic, constantly evolving environment. The demographic and cultural composition of a neighborhood can change virtually overnight. Similarly, the interests, preferences and needs of the local population are in flux. An organization founded to meet the needs of those living in a certain place at a particular time can quickly find itself irrelevant to its current context unless it engages in an ongoing conscious effort to connect with and learn from its surroundings.

To be sustainable in the most fundamental sense (i.e., ongoing demand for its services), an organization must regularly revisit its mission, strategies and programs to test its continuing efficacy vis-à-vis its intended constituents. It must be able to adapt to changing circumstances, whether that means hiring culturally appropriate managers and staff, developing new programmatic approaches or adjusting other ways in which it does its business. It may need to seek out new partners, for example, to the benefit of all. The organization must also ensure that the voices around its board of directors’ table reflect the evolving ecology of its world.

No niche is permanently secure. Even powerful, established organizations that enjoy a relatively stable funding base must effectively adapt if they are to continue to thrive. Perhaps the hardest message for an organization to grapple with is that its past success is not necessarily a predictor of future performance. The development of even small “grassroots” organizations can be hampered by self-imposed “blindness” when they close themselves off from critical feedback from individuals or groups not close to their leadership.

**Capacity.** There are a number of key internal indicators of organizational effectiveness that help to determine not only if an agency will survive but thrive. First and foremost is leadership. It can take many forms and can be expressed in a variety of styles appropriate to the cultural context of the organization. But the organization’s leaders must be capable of articulating a vision for the agency’s work, planning for effective implementation and ensuring appropriate day-to-day management of personnel and other resources. Also important for sustainability is the identification and development of new leaders, both for the benefit of the organization itself and the broader community.

The organization must also be able to recruit, train and retain talented staff to operate its programs. A variety of skill sets are required to sustain even a small organization, ranging from program-specific expertise to financial management to marketing and fundraising to evaluating the impact of its work. In our increasingly culturally diverse society, the need for culturally appropriate

or culturally competent approaches to programs and management cuts across all of these traditional domains of organizational capacity.

Since the topic of capacity building is of growing interest to foundations, and a good deal has been written on this topic, there's no need to belabor the obvious. Suffice to say that many organizations could benefit from outside assistance in self-assessment of capacity, improving their skills and strengthening critical infrastructure. Grant dollars can be helpful in that regard. But capacity is only one dimension of sustainability; it is necessary but not sufficient in itself to accomplish that goal.

## OUR FOUNDATION'S APPROACH

*After initially committing most of our dollars to large initiatives, we are now directing our attention to the long-term stability of the nonprofit sector by concentrating on responsive grantmaking for core operations, leadership, advocacy and other activities.*

The board of The California Wellness Foundation recently established sustainability as one of five cross-cutting themes that will characterize all of our grantmaking programs for the foreseeable future. (The other themes are underserved populations, youth, leadership and public policy.) We will be devoting a substantial portion of our staff development time to reflective discussion and conducting cluster analyses of past grants to learn more about the challenge of sustainability. In the meantime, we have employed a variety of strategies to increase the chances for sustainability of the projects and organizations we fund. They include:

**Initiatives.** Most of our grantmaking to date has been in the form of multisite strategic initiatives. We have provided substantial multiyear grants for innovative projects as well as grants to support initiative-wide evaluations. The primary task of the evaluators is to provide formative feedback to improve program performance. Over time, we have also added grants in each initiative to assist with capacity building, specifically including assistance with sustainability.

Our assumption was that long-term funding plus a variety of technical assistance resources would significantly increase these projects' chances for sustainability. Since several of our initiatives are still in play, it's too early to make a final judgment on the efficacy of that approach. However, the early "returns" are not encouraging. Rather than laying the groundwork for independence, long-term funding instead seemed to engender dependency on the foundation among our grantees, despite our encouragement to seek other sources of funding to augment core grants. There are certain to be exceptions to the rule, but we would not be surprised if most of the sites we have funded as part of our initiatives are unable to continue their work after our funding ends. We have now begun to "taper" funding in the final years of an initiative, but we don't yet know if that will make a difference in sustainability.

**Core Operating Support.** Several years ago, we started encouraging requests for core operating support in our responsive grantmaking programs. Rather than require applicants to undergo specific capacity-building work as a condition for funding, we decided instead to make grants with as few “strings attached” as possible. This puts a special burden on our staff to conduct thorough due diligence in the selection of potential grantees. But once chosen, we allow the organization significant flexibility in how they will spend our grant dollars.

Although each grant has specific objectives, it’s all right with us if an organization simply uses the money to support existing programs. Others have used core support grants to add needed staff, fund staff development and training or to strengthen internal infrastructure. Since our conversations with applicants are around the trajectory of their organizations and no “new” ideas are being proposed that need to be tested, sustainability is the goal of these grants from the outset. Our closeouts of individual grants so far have indicated that core support dollars have been put to a variety of creative uses that have enhanced organizational effectiveness in ways we might not have originally anticipated. Rather than creating stress for organizations, our funding has served to strengthen their work.

**Leadership.** What may be ultimately most sustainable is the career of a young person whose skills have been enhanced and confidence honed by participation in an effective leadership development program. It is an “investment” that will pay dividends over his or her entire working lifetime and create positive ripples throughout the entire nonprofit sector. Accordingly, we have funded a number of leadership development and recognition programs both as part of our initiatives and in our regular grantmaking.

This is obviously an area with a long history of foundation support, and numerous effective models exist. One that has particular ramifications for sustainability is the Durfee Foundation’s<sup>6</sup> sabbatical program. Each year, via a competitive process, the Durfee Foundation selects 10 seasoned executive directors from Los Angeles area nonprofit organizations to receive a paid three-month sabbatical, including payments to their home institutions. It has been a remarkably effective vehicle for experienced leaders to step back and take a needed rest and reflect on their work, with added benefits for the sustainability of their respective organizations.

**Advocacy.** Despite the vicissitudes of constantly changing political priorities, government continues to be the single largest funder of health and human services for low-income people. Without effective advocacy, that funding is always at risk when budget cutting becomes necessary. While it may seem counterintuitive to some, we believe that support for advocacy groups is an

effective strategy to enhance the sustainability of the nonprofit health sector. To cite an example, the recent efforts of community-organizing groups and other advocates in California have resulted in significant expansions of health insurance coverage for underserved children and their families.

We have not only provided core operating support for a variety of advocacy organizations, but have also funded an annual Health Advocates Retreat for the past three years to allow advocates to step back, reflect and engage in dialogue about priorities, tactics and potential partnerships. We have then provided follow-up funding for joint efforts that resulted from those conversations. A companion strategy has been to provide funding to train grantees in our initiatives to become better advocates. Most service providers have had little experience in the political arena. Learning how government really works—as opposed to what textbooks teach—and how to effectively communicate the interests of their clients to policymakers is another route to organizational sustainability.

**Indirect Costs.** Part of building a healthy, sustainable organization is devoting sufficient resources to infrastructure in support of its work. When foundations refuse to pay indirect costs with their grants, they negate this need. Where else can nonprofit organizations turn to support these essential services? The California Wellness Foundation allows, and encourages, 15 percent indirect costs with all of its grants. Some have argued that this amount is too low to cover actual expenses incurred with large grants. (Typically we hear this from large institutions, by the way.) They may have a point, but we believe the amount is fair and important if we are serious about helping the organizations we fund achieve sustainability.

**Other Strategies.** On occasion, we have helped an organization establish an “operating endowment” or create a fundraising program to build an endowment to sustain its work over the long haul. Given the cost, it is not something we could consider doing very often, but what’s important is that foundations not totally rule out an endowment as a potentially valuable tool for sustainability. Arts funders have long employed a variety of creative strategies for sustainability, such as funding operating reserves for organizations that, by their nature, are vulnerable to chronic cash-flow woes. A number of foundations, such as the David & Lucile Packard and James Irvine Foundations, have also established special grants programs specifically to promote organizational effectiveness. All of these strategies move beyond a superficial concern with the details of a proposed project to examine the inner core of an organization and its potential for sustainability.

## WHAT NOT TO DO

*Foundations often undertake “strategic” activities that, in the end, make the programs and organizations they fund harder to sustain.*

There are a number of things that foundations do that invariably “stack the deck” against sustainability. The California Wellness Foundation has done all of them at least a few times during our brief 10-year history, so we speak from experience. All of these actions would fit the conventional definition of “strategic” philanthropy, particularly as articulated by some of the current avatars of our field. Yet, frequently the consequence in our

experience, is an organization that is actually less sustainable than it was at the inception of the grant cycle. Those actions include:

- be the sole funder of an activity or organization;
- provide a large (preferably very large) grant;
- fund the activity over an extended period of time;
- push the recipient organization to move beyond its core mission to embrace new ways of acting and doing things; or
- create a brand new organization or activity, or condition your funding on the creation of something that’s not been done before.

Of course, some vitally important organizations and programs owe their existence to just this kind of grantmaking, so there are obviously exceptions to the rule. But on the whole, I would argue that this style of grantmaking is ultimately counterproductive from the perspective of sustainability.

Other funders, right or wrong, tend to shy away from projects they perceive as being “branded” by one foundation. Moreover, the larger a single grant is, the more difficult it is to replace. That dependency is only exacerbated if an organization has learned to rely on that level of funding for a good period of time. Finally, taking an organization outside its core mission is rarely a good idea in our experience. The lure of funding may be irresistible—and some great things may even be accomplished in the short run—but the “pull” against the institution’s center of gravity, i.e., its higher order priorities, is typically too weak to ensure continuation once the initial funding is gone.

For many who espouse a “new” philanthropy, funding innovative startup ventures is seen as inherently more desirable than simply supporting existing organizations to do what they do. However, I believe that kind of thinking does a grave disservice to the nonprofit sector. It seems to betray an underlying belief that “nothing works.” Yet in every field of endeavor there are multiple examples of effective programs and agencies that are doing an excellent job of meeting community needs. The vast majority of those efforts are undercapitalized. It’s the rare nonprofit organization that is adequately staffed to meet local demand, let alone that can boast of a well-developed infrastructure in support of its service mission. That’s the most powerful argument in my book for grantmakers paying more attention to sustainability.

## CONCLUDING THOUGHTS

*Once funders acknowledge the important role of philanthropy with regard to sustainability, simple steps can be taken to listen and respond to the long-term needs of the nonprofit sector.*

One cannot begin to do justice to the myriad issues encompassed by the topic of sustainability in this brief format.<sup>7</sup> Nevertheless, I hope this paper will be useful as a discussion starter. As long as foundations continue to expect their grantees to continue their work past the end of their funding periods, we *are* in the sustainability business, whether we like it or not. I'm not suggesting that foundations bear the sole responsibility for sustainability either. It would be simply impossible unless they stopped receiving new requests and, in effect, became operating foundations. And, as we have seen, sustainability is not just a matter of funding.

But foundations do have an important role to play in helping organizations achieve sustainability, particularly in an era of increased philanthropic giving. Here are five simple steps we can all take:

- **Move beyond denial.** Foundations *are* in the business of sustainability. If we weren't, why would we make grants at all?
- **Be willing to engage in candid dialogue.** Start by listening more carefully to nonprofit organizations. Ask them: "What do you *really* need to help you sustain your work?" And be open to hearing what they have to say.
- **Be flexible** in how you approach grantmaking. Allow, perhaps even encourage, an organization to ask for core operating support or to use a portion of its grant to strengthen its internal infrastructure, including administrative staffing needs. Alternately, consider a separate grant specifically for organizational effectiveness in combination with project or core funding.
- **Provide multiyear funding** at a scale commensurate with the size and maturity of the organization. The goal is to enhance its development while not unduly creating dependence on foundation dollars. It's my sense from talking to nonprofit leaders that the assurance of funding over a three-year period, which they can build into their budgets, is at least as important as the size of the grant.
- **Be candid.** Of course, multiyear grants create expectations of permanence, even if there's been no such promise made. So, just as in any other relationship, clear and direct communication is key. Grantseeking for many, if not most, is a frustrating exercise in navigating a sea of ambiguity. "Sustainability" has been as hard for many foundation staffers to utter as is "commitment" for far too many young men in contemporary U.S. society.

Some might feel that unless “next steps” are left vague that a grantee’s attentiveness may waver and its performance suffer as a result. I would ask: If you have such doubts about an organization, why fund it in the first place? If a foundation is likely to fund an agency for only three years and then “give someone else a chance,” this needs to be said explicitly, not only up front, but repeatedly throughout the lifespan of a grant. At the very least, it’s fair to say: “After a three-year grant, you’ll have to wait a year (or two) before reapplying.” This allows the organization the clarity it needs to accurately incorporate your potential funding into its planning for sustainability.

These five steps are no panacea, but they begin to build a path in the right direction. Sustainability is a complex challenge, but I believe it should be central to the agenda of all foundations that are genuinely concerned with the long-term future and vitality of the nonprofit sector.

## ENDNOTES

- 1 The Natural Step is an international organization that uses a science-based, systems framework to help organizations and communities understand and move towards sustainability. Its mission is to catalyze systemic change and to make fundamental principles of sustainability easier to understand and meaningful sustainability initiatives easier to implement. Website: [www.naturalstep.org](http://www.naturalstep.org).
- 2 The Resource Renewal Institute supports innovative environmental management strategies in the United States and worldwide. Its mission is to catalyze the development and implementation of “green plans,” which are working models of sustainability in action. Website: [www.rri.org](http://www.rri.org).
- 3 The Four Worlds International Institute for Human and Community Development at the University of Lethbridge, Alberta, Canada, is a family of people and organizations bound together by a set of common principles based on the traditional teachings of North American tribal elders. It has developed a number of publications on the theme of sustainability. Website: <http://home.uleth.ca/~4worlds>.
- 4 Foundations interested in working with other funders on the topic of global sustainability should consider participating in the work of the Consultative Group on Biodiversity. It is a grantmakers forum that seeks to focus attention on issues and program opportunities related to the conservation and restoration of biological resources. Website: [www.cgbd.org](http://www.cgbd.org).
- 5 Susan Kenny Stevens is president of The Stevens Group with Larson Allen in Minneapolis. As part of her consulting practice, she conducts workshops on “The Life Cycles of Nonprofit Organizations.” She can be contacted at: (651) 641-0398. Another treatment of this topic can be found in a new publication from the Amherst H. Wilder Foundation, *The Five Life Stages of Nonprofit Organizations*, by Judith Sharken Simon and J.Terence Donovan. For ordering information, see the Wilder website at [www.wilder.org](http://www.wilder.org).
- 6 The Durfee Foundation’s Sabbatical Program offers stipends of up to \$30,000 each to six executives from Los Angeles area nonprofit organizations each year to travel, write, reflect or otherwise renew themselves in whatever manner they propose. For more information, go to the foundation’s website at [www.durfee.org](http://www.durfee.org).
- 7 Among the growing number of resources on the topic of sustainability specific to nonprofit organizations are three recent noteworthy publications:
  - “A Guide To Building Sustainable Organizations From the Inside Out” by Deborah L. Puntenney et al. (2000). This workbook is based on the work of SHOW-21, a project of the Chicago Foundation for Women. It is available from ACTA Publications, 4848 North Clark Street, Chicago, IL 60640. Phone: (800) 397-2282 or e-mail: [acta@one.org](mailto:acta@one.org).
  - “End Games: The Challenge of Sustainability” by Ira Cutler and colleagues at the Cornerstone Consulting Group (2000). A thoughtful analysis of the sustainability challenges specific to foundation-supported initiatives. Copies are available from the author at [icutler@cornerstone.org](mailto:icutler@cornerstone.org).
  - “Sustainability Toolkit: 10 Steps To Maintaining Your Community Improvements” by Michelle Johnston and colleagues at The Center for Civic Partnerships in Sacramento, CA, Public Health Institute (2001). The toolkit grew out of the Center’s work with the Health Improvement Initiative, funded by a grant from The California Wellness Foundation. It can be ordered by calling (916) 646-8680 or an order form can be downloaded from their website at [www.civicpartnerships.org](http://www.civicpartnerships.org).



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