

J.P. Morgan Private Bank

PART ONE

Making an Impact

A GUIDE TO STRATEGIC PHILANTHROPY

J.P.Morgan

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Introduction

Among the most frequent questions we receive at The Philanthropy Centre is “How do we know our philanthropy is having an impact?” For many donors, quantifying or measuring impact can feel obscure or even daunting. But it shouldn’t. With the right knowledge and tools, impactful giving can be broken down into a manageable, step-by-step process.

This Guide to Strategic Philanthropy will arm you with the information and resources you need to plan, execute and evaluate impactful grants. To make the process easy and approachable, we have divided this guide into two sections:

IN BRIEF

- **Part I** defines strategic philanthropy, outlines approaches to impact and offers guidance for helping you develop a roadmap toward maximizing impact in your chosen issue area(s).
- **Part II** reviews processes of due diligence and impact measurement that you can use to sustain and leverage future impact.

The challenge of making an impact with your philanthropy is real: There are more than two million nonprofits in the United States, and millions more around the world. The range of issues competing for your time and funds is equally vast, and growing. Even the most committed donors struggle to define a focus and figure out which organizations are doing the most to address the direst needs. Faced with a wide array of compelling causes, many donors are at a loss to choose a strategy that will produce results and to find nonprofit partners whose work will really leverage their giving.

It is no wonder, then, that many donors resort to what is sometimes referred to as checkbook philanthropy—making a variety of contributions to appealing groups and causes as they present themselves. It can be challenging to refuse requests from friends or colleagues, and to resist the wide range of charitable causes that speak to you. Indeed, this reactive giving style is the norm for many donors, especially those who are new to philanthropy.

Although there is nothing inherently wrong with reactive giving—it moves money from wealthy individuals to needy nonprofits—there’s room for improvement. The checkbook approach seldom deploys funds in the most efficient, most impactful way possible.

This guide is designed to usher you through another approach, one that’s more directive and proactive. The following pages provide a road map for philanthropists who want their gifts to have maximum return on their charitable dollars along with examples of how other donors have developed a focus and strategy, including tactics for due diligence and impact measurement. We refer to this practice as *strategic* philanthropy, though other terms like *high-impact* are also used. Whatever its name, the goal is simple: to increase the bang for your philanthropic dollar.

A focused and strategic approach to philanthropy does require more time than purely reactive giving. But most donors find it immensely rewarding. The more thoughtful they are about the purpose and direction of their giving, the more they see and appreciate its results, and the more confident they feel about its efficacy. Many discover that the time they invest in the early stages of a grantmaking project—studying a cause, evaluating prospective grantees—pays off later, when they feel comfortable making large and repeated contributions to carefully screened nonprofits whose work they understand and fully appreciate.

While strategic philanthropy can be challenging, you don’t have to go it alone. The practice has a long history, and tried and true techniques exist to help you transition from passive to more sophisticated giving. This primer covers the basic steps, from isolating a philanthropic focus to measuring the impact of your grants. It also includes stories of funders and projects—large and small—that enact some key tenets and best practices of strategic philanthropy, and that illustrate its potential. We begin, in the first section, with a brief exploration of strategic philanthropy: what it entails, who does it and how to get started.

We refer to this practice as *strategic* philanthropy, though other terms like *high-impact* are also used. Whatever its name, the goal is simple: to increase the bang for your philanthropic dollar.

1. Strategic Philanthropy

Strategic philanthropy, also called *high-impact* or *proactive* philanthropy, is a disciplined exercise. It is philanthropy with a road map, different from unplanned or reactive giving in that it requires donors to narrow their focus and potentially turn down tempting organizations whose work falls outside of it. While this isn't easy, most philanthropists find that going the extra mile to research, plan and stick to a focused giving strategy makes their work feel more personal, more rewarding and—most importantly—more effective.

Although the popularity of strategic philanthropy has soared in recent years, the practice has a long history, dating at least to the early days of large foundations such as Carnegie and Rockefeller, as well as lesser-known philanthropists like Julius Rosenwald.

Of course, philanthropies of this size and reputation have tremendous resources, and their high-impact projects would be difficult for a family foundation with little to no staff or an individual donor to execute. But that doesn't mean strategic philanthropy is just for larger-scale funders. The purpose of a well-crafted philanthropic strategy is to ensure that your resources are deployed as efficiently as possible. Many individuals and family-led foundations have used smart, rigorous planning to leverage modest grants for outsized impact. Our guide is directed at these types of funders, and we'll begin in the next section with some practical ways to understand impact and concrete approaches to pursuing it.¹

Before we continue, though, one observation. As you read through this guide, you'll notice that strategic philanthropy can be a bit of a balancing act. On the one hand, it entails conducting research and taking ownership of your giving—not just writing checks to compelling charities, but thinking critically about exactly how you want your resources deployed. On the other hand, though, it means remembering that giving is a relinquishing of ownership. The best donors know when to offer advice and scrutinize results, but also when to step back patiently and let a nonprofit use their grant to do what it does best. That is, after all, how lasting change is made: through the work of powerful partners on the ground over the long haul.

A strategic philanthropist's task is, very simply, to choose the right partners, and to forge relationships that will help them innovate and create lasting change. That means thinking critically but also listening to other funders, to nonprofits, and to beneficiaries. Strategic and checkbook philanthropy have this in common: both are about attending to sector needs and listening to grantees, which should be part of any conscientious grantmaker's practice. Even within a meticulously planned strategy, there are times when an unforeseen, reactive gift makes sense.

On that note, keep in mind that the funder-grantee power dynamic is inherently unequal, so nonprofit partners in particular may hesitate to speak candidly if you don't invite feedback. But if you do, you'll set the stage for giving that makes sense and does good, not just in theory but in practice.

¹ Readers who follow social sector news will know that measuring and maximizing impact are—to put it mildly—hot-button topics. Plenty of scholarship analyzes the emergence of strategic giving and hashes out thorny questions like how to quantify something as subjective and nuanced as social progress. If you're interested in going deeper, the resources listed in the Appendix of Part II of this Guide offer some useful perspectives.

CASE STUDY

Early Funding for African American Schools

Turn-of-the-century businessman and philanthropist Julius Rosenwald had a track record of supporting organizations concerned with African Americans' education when, on his fiftieth birthday in 1912, he gave the federal government \$25,000 to expand the Tuskegee Institute. The government completed the expansion with \$2,100 left over and asked Rosenwald for permission to spend the surplus on six small rural schoolhouses for African Americans. The project was so successful that Rosenwald gave Tuskegee another \$30,000 to build 100 additional schools across rural Alabama.

Rosenwald approached his giving carefully and strategically, eking the most out of every dollar. Although he was interested in building more schools, he initially declined to expand beyond Alabama until the initial building program's success had been confirmed. He structured many of his gifts as challenges that promised to match funds if recipients could raise half of what they needed. Rosenwald was deeply engaged in the building program, studying the schools' architectural integrity and orchestrating an effort to modernize the designs midway through the program.

In 1917, Rosenwald incorporated his foundation and took control of the school-building program from Tuskegee, whose administrative capacity the project had outgrown. He enlisted S.L. Smith, a former state agent of African American education in Tennessee, to direct the Fund's Nashville office.

The program was a historic success. By its termination in 1932 (the year Rosenwald died), it had facilitated construction of 4,977 schools—whose modern architectural designs were so impressive that they sometimes prompted renovations at neighboring white schools—and 380 complementary homes and shops. Many of Rosenwald's schools operated continuously until desegregation in 1954; in 1928, these schools enrolled one-third of the South's African American pupils. George Brown Tindall's *The Emergence of the New South* calls the building program “one of the most effective stratagems to outflank the prejudice and apathy that hobbled Negro education”; he notes that the Fund's matching grants, which wound up comprising only 15 percent of the overall building cost, led to public financial support for African American schools “while neutralizing the opposition of white taxpayers.”

While Rosenwald did not start out intending to fund African American schools, he recognized the success of his early projects and followed them up with two decades of persistently focused—and correspondingly impactful—work.

Source: http://www.philanthropyroundtable.org/almanac/hall_of_fame/julius_rosenwald.

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CASE STUDY**The High Line**

Philanthropy is often painted as a solitary endeavor, but in reality it's anything but. Projects that make lasting change almost always owe their success to collaboration among a network of dedicated partners—primarily nonprofits and their funders, but sometimes other stakeholders (like artists, media entities or government organizations) as well. The creation of Manhattan's High Line exemplifies this kind of productive, ongoing back-and-forth among funders, grantees and a range of other players.

In 1999, Manhattan's High Line was an elevated freight rail line rendered useless by the rise of interstate trucking. Empty and deteriorating, the line seemed ripe for demolition. But Joshua David and Robert Hammond, who lived nearby, saw an opportunity. With enough funding, the structure could be transformed into a public open space. Invoking the model of Paris's Promenade Plantée, they founded the Friends of the High Line, initially a small community group in favor of the line's preservation. Meanwhile, photographer Joel Sternfeld produced striking images documenting nature's encroachment onto the structure.

Over the next five years, Friends of the High Line confirmed the feasibility of their project, won support from the City of New York, and grew into a robust nonprofit. The park's designers, selected through a competition in 2004, commenced work, and within two years the City had accepted ownership of the space. The park's first section opened in 2009; its third and final segment became public in 2014.

Marshaling funds for the project's early stages was an uphill battle, and drawing the interest of wealthy locals by positioning the park as an interactive community endeavor was crucial. In 2005, a small MOMA exhibition of designs for the park prompted the Diller-von Furstenberg Family Foundation to donate \$5 million, which they followed with a \$10 million gift four years later and a \$20 million gift in 2011. Those grants generated publicity that drew additional support, both from private funders and from the City.

Today, the High Line is a 1.45-mile, sustainably planted green space owned by the City but operated mainly by Friends of the High Line, which raises 98 percent of the park's annual budget.

Source: <http://www.thehighline.org/about>.

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KEY TAKEAWAYS**Strategic Philanthropy**

Strategic philanthropy has three essential elements:

1. Deliberate, articulated goals commensurate with resources;
2. Evidence-based approaches to realizing these goals; and
3. A commitment to impact assessment and revision throughout the process.

2. Defining Impact

Before you turn to evaluating the impact of your giving, it is important to decide and articulate what exactly this word means. Your definition may be simple, but it should be thoughtfully chosen, since you'll need to feel comfortable applying it to all the work you fund. The University of Pennsylvania's Center for High Impact Philanthropy, for example, defines social impact as “a meaningful improvement in the lives of others.”

In *Money Well Spent* (a widely-used handbook for strategic donors), Paul Brest and Hal Harvey offer a similar definition, but with one important caveat. Impact is “making a difference—not in some universal sense, but in terms of your own philanthropic goals.”

The second part of this definition is important, especially for philanthropists who are just getting started. Since social problems are often characterized in sweeping, general terms—*injustice, world poverty, climate change*—many donors have trouble translating them to specific goals that are realistically proportional to their grantmaking. Remember, though, that almost all systemic change happens through a series of small improvements. Part of being strategic is seeing the potential for these short-term results to enable broader, lasting solutions to a big-picture problem—understanding that impact arises from the cumulative effects of many projects and interventions.

For example, suppose a foundation's goal is to promote women's and children's health. The foundation might make grants to support the development, testing and scaling of new technology in neonatal and maternal medicine. These grants will generate various measurable results: a certain number of patients treated, a certain percentage of successful treatments, and perhaps an observable drop in mortality across the city or region. After decades of refinement and scaling, and combined with improvements to the country's healthcare infrastructure and practices, it's possible that a once pervasive neonatal health risk might be totally eliminated.

Typically, the immediate and small-scale results of this intervention (treatments and successes) would be termed *outcomes*. *Impact* would refer to more final and lasting progress—in this case, the decline in mortality. Fully eliminating the health risk would also be an impact, but a much more long-term and complex one—not something a funder could aim or expect to achieve singlehandedly.

Part of being strategic is seeing the potential for these short-term results to enable broader, lasting solutions to a big-picture problem—understanding that impact arises from the cumulative effects of many projects and interventions.

Impact is about both short- and long-term outcomes. No single strategy, however sophisticated, can make entrenched social problems such as injustice disappear. Thinking about impact in a practical, actionable way requires understanding the interim steps: small but significant changes that will move all the stakeholders slightly closer to addressing multifaceted challenges.

Distilling big-picture problems into achievable goals is no easy feat, but the following series of exercises can help you get started.

1. First, approach your giving with an open mind. Consider the underlying values that drive your desire to give and the key issues and causes representing these values.
2. Next, research those issues, and try to identify some tangible, immediate goal(s) you might want to help accomplish. Think about how you would define impact in terms of those goals.
3. Finally, consider how much time you expect to invest in this strategy, and use that lens to further clarify the problem you aim to solve and the scale of impact you can realistically pursue.

By reflecting on the nature of the problem you're working to help solve, as well as the scale of your grantmaking, you can develop an actionable vision of impact: one that suggests goals you can realistically aspire to by taking steps you can plan, execute and measure.

KEY TAKEAWAYS

Defining Impact

What is impact?

- A meaningful improvement in the lives of others.
- Making a difference.

Key concepts for examining your impact:

- Expect impact to be proportional to your grantmaking.
 - Impact is measured on both short- and long-term outcomes. It is not only about systemic change but the results you can achieve along the way.
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3. Getting to Impact: The First Steps

Step One: Choosing A Focus

It's been said that philanthropy starts with a lump in the throat—a profound personal, emotional reaction to some social or environmental problem. It's a brief but critical moment. To devote the time, energy and resources that effective philanthropy demands, you must feel a deep, personal engagement in your cause—an engagement that will motivate you to do careful research and propel you through frustrations and setbacks.

To find your focus—to trigger that telltale lump in the throat—you might begin by reflecting very broadly on your passions and values. In their book *Give Smart*, Tom Tierney and Joel L. Fleishman recommend asking questions like these:

- What motivates you to give?
- What values have your family and other role models passed on to you?
- What interests or concerns you?
- What positive things do you see in the world that you would like to encourage?
- What makes you angry about the world right now? What would you like to change?
- How much of your personal time are you willing to commit to this work?
- Where have you spent your time and money in the past?

Thinking through these prompts should help you figure out which kinds of causes speak to you emotionally. Truly strategic philanthropy, though, is a marriage of the head and the heart, so once you've come up with some possible focus areas it's important to test their practicality with careful analysis and preliminary research.

Consider the following:

- Think through concrete causes and effects around the issue you found so viscerally compelling, and ask whether that's really where your dollars will do the most good.
- Reflect on non-monetary resources, like expertise or networks, that you might bring to bear.
- Find out how and why other funders have succeeded (or failed) in confronting this issue.
- Determine where within the issue there lies the direst need for the kind of support you can provide.

CASE STUDY

Identifying a Focus Through Past Grantmaking

The Pugh Family Foundation began by granting sporadically to various nonprofits whose work seemed compelling. When, after seven years of funding miscellaneous organizations, they took a step back and reviewed their grantmaking history, they realized that most of their work dealt with poverty and education in southern Louisiana. The Foundation has since incorporated this focus into its explicit mission.

Source: <http://www.pughfamilyfoundation.org/>.

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More often than not, reasoned analysis will simply confirm and help structure your initial impulse to give. But it's a crucial step, since purely emotional strategies risk failing to understand and meet actual needs.

Armed with a combination of personal values and early-stage research, you can begin to build and refine your focus area(s). As you move toward solidifying your goals and translating them into actual grants, two exercises may be useful:

- Start with a few small experimental grants to possible areas of interest, and gradually devote more time and funds to the areas that you find best meet your broader goals for impact.
- If you've been making unfocused grants for a while, pick out meaningful or successful ones from the past and try to identify patterns in issue or approach.

Truly strategic philanthropy, though, is a marriage of the head and the heart, so once you've come up with some possible focus areas it's important to test their practicality with careful analysis and preliminary research.

CASE STUDY

Strategic Giving at a Family Foundation²

Most smaller-scale philanthropic efforts begin organically, without a plan or focus. The process of moving toward a plan can be slow and demanding. The Tow Family Foundation, for example, initially granted sporadically to programs mostly targeting disadvantaged youth. Around 2000, the Foundation made a choice to become more proactive with its giving and to narrow its focus to Connecticut's juvenile justice system. Concentrating resources allowed them to effect significant, observable and lasting change. Over 15 years, an alliance Tow spearheaded has improved conditions in juvenile facilities and policies around juvenile justice, such that the state's public safety has increased while costs have visibly declined.

² <http://www.towfoundation.org/our-story/>.

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Sizing Up the Problem: The Question of Scale

An important element of choosing a focus—and intelligently pursuing impact—is understanding the scale of your own grantmaking, and aligning it with the scale of the problem (or subproblem) you’d like to help solve. Brest and Harvey recommend evaluating social or environmental problems along three axes:

1. Does the problem diminish quality of life, compromise necessities of life, or threaten life itself?
2. Is the harm reversible, finitely lasting, or irreversible?
3. Is the problem small, large, or vast (in terms of the number of people or geographic area affected)?

Problems that locate themselves toward the bigger end of each axis—that cause irreversible harm and threaten the lives of a vast number of people—are likely to be complex and ambiguous, and demand significant risk tolerance, patience and resources from funders. As a result, these problems are well-suited to the largest grantmakers—foundations like Gates and Rockefeller, which have the necessary resources to engage over the long haul.

That’s not to say that small-scale funders can’t tackle these kinds of challenges. But to do so effectively, you’ll need to find the right opportunity—perhaps through collaboration with other funders—and to commit considerable time and energy. If you’re willing to invest these resources and are comfortable knowing your work may not yield immediate, tangible results, then helping to tackle a pressing, multifaceted problem can be extremely fulfilling. But it’s not something you should leap into until you’ve reflected on the financial resources, complexity, risk and overall commitment required to be successful. Nor is it something you should feel obligated to pursue. Keep in mind that effectively confronting a smaller-scale issue does more good than haphazardly engaging with a vast problem that you lack the time and resources to really think through.

KEY TAKEAWAYS

Choosing A Focus

- Find an issue area that feels personally compelling.
- Research to confirm your funding will help meet real needs.
- Consider the scale of your grantmaking and identify a problem that’s proportional in terms of seriousness, scope and permanence of the harm it causes.
- Reflect on your level of comfort with philanthropic risk.

Step Two: Doing Your Homework

Once you've narrowed your grantmaking focus, it's time to analyze your chosen problem and consider possible solutions. Try to identify the problem's root causes, understand how current systems and stakeholders involved in the issue operate, and figure out what kinds of activities will be critical to achieving results. Although you may have done some preliminary research, now is the time to really dig into your chosen field's context and history: identify key players, review past interventions that have succeeded or failed, solicit perspectives from stakeholders at various levels, and search for areas of underinvestment, which may represent critical funding needs.

Strategic philanthropy isn't just about focusing on an issue area, it's about organized investment in a specific and targeted approach within that area—investment that, if you've chosen wisely, should address real and pressing social or environmental needs. As you research your field, you'll notice patterns, gaps, important themes and recurring questions that will form the basis for your own targeted approach. Here are a few examples to bring this to life:

- One philanthropist passionate about climate change concludes that his resources will be productively deployed by funding arts-based campaigns to educate young people about sustainability. Meanwhile, another climate change funder could support nonprofits that reward corporations for using sustainable energy strategies.
- One funder interested in end-of-life care chooses to invest in expanding hospitals' palliative care programs, while another decides her time and money could do more good supporting work that promotes public conversation about mortality.

Identify key players, review past interventions that have succeeded or failed, solicit perspectives from stakeholders at various levels, and search for areas of underinvestment.

CASE STUDY

Amplified Impact Through Partnerships

Founded in 2004, the Segal Family Foundation grants primarily to locally led, grassroots NGOs in East Africa working on adolescent sexual and reproductive health, and youth employment. With just 10 staff—four in the United States and six in Africa—the Foundation manages an impressively large portfolio: over 190 partners, most of them young organizations that require considerable energy and attention. To juggle this load and maximize its impact, Segal uses three strategies. First, the Foundation works in a specific and contained geographic area; second, it supplements monetary grants with capacity-building support; and third, it makes researching its partners easy for other interested funders.

In the years since its inception, Segal has gradually narrowed its geographic scope, even as its portfolio expanded. The Foundation's longstanding and focused presence in East Africa generates a natural pipeline of grantee prospects, making it easy for program officers to spot up-and-coming groups with strong leadership and promising ideas. And once funding starts, knowing the territory helps Segal navigate local political, commercial, and nonprofit ecosystems that may support, hinder, or simply inform its partners' work.

A place-based strategy also gives Segal insight into grantees' needs beyond general operating funds. In a system it calls "Active Partnerships," the Foundation supplements its monetary grants with substantial capacity-building support, often by

orchestrating and underwriting convenings. Sector-agnostic gatherings of local partners, for example, create safe spaces for productive discussion of generic problems everyone has faced—challenges as basic as figuring out the legal structure of a nonprofit in a particular African country, or understanding local policy around hiring and employment. They also let groups working in the same communities coordinate efforts and share resources.

Finally, Segal amplifies its impact by engaging with other grantmakers, attending conferences like the Clinton Global Initiative and helping funders curious about its work learn more. Having a cohesive, geographically-concentrated portfolio, as well as full-time staff on the ground, makes it easy for Segal to share information and materials with—and even arrange site visits for—interested funders. Since 2012, Segal has used its networks to leverage over \$14 million from other funding sources on behalf of its partner organizations. (The Foundation defines leveraged funding as the first grant capital resulting from introductions made by staff between other partner organizations and other funders.) To achieve this leverage, Segal tracks dozens of funders' geographic and thematic interests and shares curated partner recommendations with them several times each year.

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You'll notice that in each of these examples, the funder chose to focus on one aspect of a broader issue (awareness; corporate practices; institutional capacity). This is the most common recipe for a targeted funding approach, but it's not the only one. Some grantmakers address several dimensions of a problem, but limit their work to a defined geographic area—one whose history and key players they get to know intimately. Many funders (especially individuals and smaller foundations) find that a place-based approach makes it feasible to gain deep and holistic familiarity with the issue they've chosen, and to see and understand the effects of their work.

Tricks of the Trade: Field Scans

The time and money you invest in early-stage research will pay off later in knowledgeable and impactful giving. There are established techniques and protocols funders use during this phase of research, notably the **field scan**. Field scans—which can take many forms, from brief phone interviews to structured studies—develop a bird's eye view of a particular issue area, identifying big-picture trends, funding gaps, and opportunities where thoughtful grants could enable particularly critical work. Scanning the field can help donors avoid traps like duplicative projects (work that's either already underway or, worse, has already been tested and proven ineffective) and discover niches where their resources might be deployed with great efficiency.

CASE STUDY

The Power of Field Scans

When the Planet Heritage Foundation, a newer funder interested in work at the intersection of climate change and national security, set out to build a giving strategy, they suspected that fundamental research on the issue was needed, but they commissioned a field scan to confirm their assumptions. The scan involved two phases: first, an extensive literature review, then detailed conversations with more than twenty experts from the United States and abroad. The final report (which Planet Heritage chose to make public six months after research commenced) convinced the Foundation not to pursue its original plan of funding research, and instead highlighted the need to convey insights from this research to policy decision makers. The scan also helped identify some lesser-known groups well-positioned to do important work—groups for whom even modest grants would make a powerful difference.

Similarly, the John and Wauna Harman Foundation (a family foundation) recently commissioned a scan surveying high-impact opportunities in end-of-life funding. They focused particularly on one aspect of the issue: the need for increased public dialogue around mortality. Later, Harman published and shared the scan with other, larger funders, who used it to uncover grantmaking opportunities and guide funders entering the field.

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It's easy to get seduced by the newest funding trends, but insisting on a systematic search for funding needs can be immensely productive. For example, consider the philanthropic responses to a natural disaster like the 2010 earthquake in Haiti. In the wake of these events, donors tend to be generous with funds for immediate emergency aid. But they may neglect longer-term work, like infrastructure development to enable economic and social recovery and minimize damage should another disaster occur. Field scans can alert philanthropists to the less flashy—but sometimes more critical—funding needs within an issue area.

Targeting Gaps

One advantage of contextualizing your philanthropy with a comprehensive field scan is that even in highly visible and generally well-funded issue areas, you may discover funding needs that grantmakers systematically overlook. These kinds of gaps can be impact jackpots: often, relatively modest grants to a long-ignored area achieve quick and noticeable change with far-reaching ramifications.

The Beldon Fund, created in 1982 to promote sound environmental policies, offers one example of a gaps-based approach. In 1998, the foundation decided to spend down its endowment over ten years and revamped its strategy to focus on supporting environmental advocates in five key states. These were places where the potential for mobilizing public and policy consensus around environmental sustainability was high but untapped: each state had what Beldon calls a strong “environmental ethic,” but limited resources for advocacy. Beldon saw gaps in funding for these advocacy communities as an opportunity to provoke state-level change that could spur federal policy reform.

Since most social issues are multifaceted, and philanthropic funds can be disproportionately drawn to the flashiest aspects of an issue, funding gaps abound. Field scans are one tried-and-true means of tracking them down. If most of your giving is local, you can also do preliminary research by asking what peers in your community are (and aren't) funding.

CASE STUDY

Finding a Niche

Sometimes funding gaps reflect other grantmakers' hesitation to support a certain stage of work. By examining trends in responses to a question on their grant application, The John Gogian Family Foundation realized that cuts to government funding had forced state and county agencies to stop supporting new, “unproven” programs, regardless of their potential. Based on this information, the Foundation shifted its strategy to focus more on funding worthy pilot programs. Since the switch, the Foundation has helped two local start-up organizations prove their viability and go on to secure public funding.

Source: <http://www.gogianfoundation.org>.

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Keep in mind that targeting gaps doesn't have to mean identifying a single under-supported issue or program; some gaps are related to infrastructure and pervade many fields. For example, while anyone in business will tell you that rigorous staff development pays big dividends, nonprofit leadership development is a chronically overlooked project.

A handful of family foundations, like the Evelyn and Walter Haas, Jr. Fund and the Durfee Foundation, have made important progress supporting leadership development programs, but it remains an area of persistent underinvestment across the sector.

CASE STUDY

Sesame Street

New technology can be a fruitful source of inspiration for donors seeking unexplored funding gaps. That's particularly true with today's technology explosion, but it was also the case in 1966, when a dinner party conversation with Joan Ganz Cooney led the Carnegie Corporation to fund a feasibility study asking experts whether television could be used to educate young children. Results were positive, but the full-scale evaluation they seemed to recommend was out of Carnegie's price range. The Corporation's Vice President, Lloyd Morrisett, began to search for funding partners, and eventually approached the U.S. Office of Education; a \$1 million commitment from Carnegie, \$250,000 from the Ford Foundation and \$1 million from the Corporation for Public Broadcasting were enough to persuade the U.S. Office of Education to contribute \$4 million dollars.

The Children's Television Workshop, created to conduct and act on the evaluation Cooney recommended, premiered its first program—*Sesame Street*—in 1969. Almost 1.5 million homes tuned in during the program's first week, and it became, in subsequent decades, one of the most successful television shows ever. Research confirmed that watching the program improved children's learning outcomes. While it has come under fire for its failure to decrease the education gap (since its audiences include middle-class children as well as the disadvantaged children for whom it represents a primary educational resource), *Sesame Street* achieved unexpected and uncontested success in realizing the educational potential of children's television. And the nonprofit behind it—now called Sesame Workshop—continues to work not only through its international television presence, but through radio, books, videos, interactive media, and outreach, educating children around the world.

Source: http://www.philanthropyroundtable.org/almanac/education/1968_childrens_television_workshop.

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Analyzing a Problem: Theories of Change and Logic Models

Not only does early research save resources by revealing specific approaches that have and haven't worked, it also helps funders feel knowledgeable and oriented in their chosen focus areas. Eventually, many become so experienced and well-versed that they can articulate a clear, specific, complete set of goals and expectations for their funding.

This process takes time though, and most philanthropists fund extensively in an area before articulating concrete hypotheses about effecting progress. As long as you continually reflect on your foundation's (or your personal) goals for its work in that area, there's no rush to finalize your own complete recipe for change. Trial-and-error, learning from mistakes, and listening and incorporating feedback from your grantee partners are all important parts of strategic philanthropy.

If you feel ready to develop a more detailed strategy around impact, two concepts may come in handy: **theories of change** and **logic models**.

1. **Theory of change** is your *theory of how a relevant part of the world functions*. Developing a theory of change is a process that requires assessing your philanthropic interventions over time and understanding how they relate to the ultimate outcome and impact you want to achieve.
2. A **logic model** refers to the logical set of steps needed to achieve your goals. A logic model depicts—often visually—the actionable plan that puts your theory of change in motion and your giving on the road to achieving impact.

The Cynthia and George Mitchell Foundation offers a good example of the stages that can lead to developing these concepts. A Texas-based grantmaker that funds at the intersection of environmental protection, social equity and economic vibrancy, the Foundation spent several years developing a theory of change to guide its grantmaking in water policy. They began by confirming their commitment to the issue; then undertook substantial research and consulted various experts in the field; and finally articulated their goals and a concrete plan for achieving them.

KEY TAKEAWAYS

Doing Your Homework

Tools for strategy development:

- Consult other funders, as well as your grantee partners, to understand what's worked and what hasn't.
- Field scans, theories of change, and logic models may help you analyze the field, identify funding gaps, and consider possible solutions.
- Don't be afraid to get started! Dip your toe in the water with projects that are commensurate with your experience, as well as with the size and scale of the problem. Experiment and learn from these projects about what works and what doesn't.
- Continue to reflect on your work along the way and course-correct as needed.

Conclusion: Next Steps

In Part I of our Impact Series, we've explored the theory and practice of strategic philanthropy, shared approaches to defining impact, and covered tools and guidelines you can use to develop an effective giving strategy. In Part II, we dive into grantmaking and the processes of due diligence, measurement and evaluation to elevate and enhance your impact in the world.

WE CAN HELP

J.P. Morgan Private Bank is committed to helping you enhance your philanthropic impact by offering advice, thought leadership and learning opportunities. To learn more, we encourage you to contact your J.P. Morgan representative.

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