

FILLING THE PERFORMANCE GAP

# HIGH-

by Christine W. Letts and William P. Ryan

# Engagement Philanthropy

*What Grantees Say About Power, Performance, and Money*

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he Job Training Center, a 15-year-old nonprofit that offers vocational training to people with psychiatric disabilities, was struggling to expand several small businesses that it ran.<sup>1</sup> The businesses provided jobs and job training to clients through catering, janitorial services, and a café. The center's executive director knew when they accepted a grant from a local foundation known for its hands-on philanthropy that they would get more than just the check, but even she was surprised by the intensive relationship that came with the money. "It was a kick in the butt," she said. "We ended up restructuring the organization because the managers in place weren't cutting it. We fired four people in one year or a year and a half. It was a good thing, and it needed to happen. It kind of forced us into action." Looking back, she credits the funding relationship with helping the organization to "ramp up" and gain "organizational stability."

STORIES LIKE THIS – FROM OUR STUDY OF SIX FUNDERS AND THEIR GRANTEES – HELP US ANSWER THREE QUESTIONS about an increasingly popular and controversial funding approach we call high engagement (also known as "venture philanthropy"): What do grantees gain from it? How does it work? And should we encourage it?

High-engagement funding is first and foremost a performance-centered strategy where alignment, reliable money and strategic coaching are used together to convert a grant-making relationship into an accountability relationship that uses power to improve performance. High-engagement funders believe that improving the performance of nonprofit organizations is the best means of achiev-

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ing their social goals. Though their means may involve improving management (and this is why sometimes they end up looking like management enthusiasts), the ultimate goals of the six funders we studied – reducing poverty, helping clients prepare for and find good jobs, or promoting the economic development of distressed neighborhoods – were focused on their grantees' impact on society.

The majority of the grantees in our study found their high-engagement relationship both effective and satisfying. They described not only improved organizational capacity – better evaluation systems, marketing, business and strategic planning, and fundraising – but also success in converting that capacity into improved organizational performance. “We would have grown at \$250,000 a year instead of \$1.5 million,” said the

executive director of a 20-year-old job-training nonprofit, in describing how the high-engagement relationship helped them achieve their ambitions.

These grantee accounts also suggest that the popular image of high engagement – as a hybrid of grant making and technical assistance – is wrong. Although they assert that high engagement often leads to improved management and organizational capacity, grantees find the formal, capacity-building programs of their high-engagement funders to be of modest value. The real value lies elsewhere. Based on their accounts, we propose framing high engagement not only as a form of capacity building, but also as an *accountability relationship* – in which funders use their power to help grantees improve their performance, and then hold them accountable for it.

These findings point to a dilemma for the field: If the price of improving nonprofit performance is greater use of funder power, is the high-engagement package worth it? Using the experience and insights offered by grantees, we propose a new direction – mutual accountability – for managing this dilemma.

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