

# THE J.W. MCCONNELL FAMILY FOUNDATION

## **How do Environmental Grantmakers Lead?**

**Speech by**

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to the Canadian Environmental Grantmakers' National Annual Conference**

**Calgary, Alberta**

**June 20-24, 2004**

Many here would share my view that it is presumptuous for a foundation which doesn't even describe itself as an environmental grantmaker to speak to a group such as this about leadership.

So I am going to take the liberty of substituting "can" for "do", as in "how *can* environmental grantmakers lead", as well as talking a little more generally about some generic challenges we face as grantmakers, whether of environmental causes or in other fields. Generally speaking, having money is rarely a sufficient condition for leadership – but it can help! Private foundations have limited ways they can exercise leadership: they can develop their own goals and programs, of course, and if they are large enough, and acquire the knowledge base, and persist, they can indeed have significant influence. But most of us have more modest means and choose to fund other organizations' programs rather than design and implement our own programs. For such funders, leadership accrues because they acquire knowledge and experience and can therefore fund "smarter"; because they can find synergies; and because they can afford to take the long view – to look ahead, to identify emerging issues, to persevere and not flit from cause to cause or fad to fad.

When we speak of leadership, are we referring to leading in terms of the environmental field, or in terms of granting practice? The two are not the same. One could be a visionary in terms of identifying environmental threats and new ways of addressing them, and at the same time be dismally ineffective as a granter. So let me be clear: whatever observations I can make from the vantage point of the McConnell Foundation come not from specialized environmental knowledge but rather from our experience as a funder.

Let me look at these three means available to most of us: funding "smarter"; funding collaboratively; and funding with an eye on the horizon.

Funding “smarter” usually means funding “strategically”, i.e. setting projects within a context of goals which the funder has set itself. But this in turn must be situated in the larger context of the capacity of grantees to set goals and to develop coherent, sustainable strategies as well.

This brings us to the critical issue of resources. We know the voluntary sector is under-funded, and environmental organizations live perhaps even closer to the margin than others. This is a chronic condition that we have become inured to and the responses have traditionally been phrased in the old mantras of having to “do more with less”, diversifying funding streams, muddling through. But we are now seeing evidence that these mantras have lost whatever power they once had: some agencies are closing, many employees are suffering burn-out, new young staff are increasingly difficult to attract, and there is a looming leadership crisis. The trouble with chronic conditions is that it is easy to miss the signs that they are becoming critical.

A report early in 2001 by Lynn Eakin for the VSI Working Group on Financing dissected the problem: she demonstrated that it is not necessarily a decline in the absolute amount of money which is the problem but the change in the way it is provided – the shift by governments through the 1990s from funding operating costs to project funding so that they could tie their support closely to specified outputs and ensure more accountability. Lynn Eakin’s report was followed by an analysis by the CCSD called *Funding Matters*, which found that, to make matters worse, in most cases contract funding does not even cover the full cost of the services being delivered. In a further report, released in May 2004 and entitled *Community Capacity-Draining: the Impact of Current Funding Practices on Non-Profit Community Organizations*, written for the Social Planning Council of Toronto, Lynn Eakin goes further to produce a tool to analyze agency financing which can be used across organizations, programs and funders and which reveals the extent of the systemic under-funding which has resulted in agencies’ deteriorating ability to fulfill their mission.

This analytical tool reveals the following: for the agencies surveyed, 85% of their revenues were relatively inflexible, paying for specified programs (and 82% of this came from governments); 13% came from other sources, including fund-raising and undesignated grants; and 2% from fees. In theory the 15% “other source” funding should allow for organizational development, program innovation or emerging needs. In fact, however, the analysis also reveals that on average organizations received 14% less funding than needed to cover actual program costs! Put differently, recipients were subsidizing the delivery of programs, thereby cutting into their own capacity to respond to new needs or to use their discretionary income on their own priorities, which for environmental organizations often include advocacy or education work. This is not just an abstraction: it translates into systematic under-funding of employee benefits, inadequate staff supervision, and little or no investment in organizational development.

It is true that this data comes primarily from service delivery organizations in Toronto, but I think our own experience bears out that the situation is not greatly dissimilar for environmental organizations, even if the mix of revenue sources is different.

I raise it here because the lessons – though particularly relevant for government funders – apply to other grantmakers too. I expect most of us – for the best of reasons – are just as guilty of the practices which Lynn Eakin examines and criticizes as any other funder, including governments. We want to get the biggest bang for our buck and ensure that our grants are used strictly for the purposes for which they are given – of course! And our grantees play the game, if that is the price of getting money.

The result is that we all connive to create a “culture of deception” (or sometimes delusion) – funders pretending they are “leveraging” their grants or ensuring accountability, and grantees pretending that positive cash-flow equals financial health.

On our own we are unlikely to be able to change governments’ methods (though this doesn’t excuse our contributing to the problem that organizations face!). However, when it comes to the environmental sector, even though environmental grants represent a small percentage of total grants (25% of grant dollars, according to Kathryn Townshend’s report to the CEGN Fall 2003 Retreat), family and community foundations together were the single largest source of such grants.

This gives us an opportunity to lead – by example. We can do this by ensuring we fund the full cost of programs, probably by adding 20-25% to cover management, core and HR costs. We also need to shift our focus from nit-picking project budgets to establishing agreed and explicit outcome and accountability measures, leaving grantees to determine the most efficient way of achieving them. And we need to go beyond individual grantee needs and targeted project grants to look at infrastructure needs and building common platforms for capacity building and sector strengthening.

This brings me to my second point: seeking synergies and opportunities for collaboration. Most of us would agree that the environmental community in Canada is not only under-resourced, but fragmented. According to Kathryn Townshend’s 2003 report, just over 2,700 grants – amounting to \$132 m. – went to 1,564 different recipients – almost 60 percent of them described as organizations working primarily on environmental issues. The median grant was \$11,700, and the average was under \$50,000.

It is not surprising that there are so many organizations since environmental activism is both global and intensely local. A large number of organizations, adequately resourced, could be a source of strength, not weakness. But as we have seen, the sector in Canada

is not adequately resourced; what we have is a large number of small organizations mostly in survival mode.

We are often quick to complain of duplication or waste among grantees; but, again, are we part of the cause or part of the solution? Do we as funders model collaboration or competition in how we work?

This is where we as funders may be able to provide some leadership – not by urging, much less forcing collaboration on others, but by ourselves working together as funders to support essential infrastructure.

Why should we support infrastructure? Precisely because at a time of complexity and enormous challenge to the sector, in part for the reasons enumerated earlier, individual organizations need help. Our capacity as grantmakers, in turn, to effect the changes we seek depends crucially on the vitality of the organizations we fund. If they are weakened, so are we. More importantly, if we believe that the work of environmental groups is fundamentally important to Canadian society and to future generations of Canadians, then we must find ways to strengthen them. A strong, accountable infrastructure of organizations providing training, advocacy, information and communication support can help environmental and other groups to learn, adapt and sustain themselves. As Christine Letts of the Hauser Centre at Harvard says: “While for-profit managers are awash in training, research, and education, and boards and investors encourage them to take these seriously, nonprofit managers are expected to get heroic results out of their organizations with few of these supports”.

Until recently, capacity building was low on the list of funders’ priorities (with some honourable exceptions such as Laidlaw’s support for the Sustainability Network, and the work of the Vancouver, Kendall and Brainerd Foundations and some others). It has gained increased prominence in part because of heightened concern about results, more competition from the private sector and business models, but especially, I would argue, because of the chronic under-funding of organizational core costs that I have described above.

Capacity building can take place at the individual, organizational and sector levels. Limited, focused grants to address short-term capacity needs, such as a new financial management system, or a strategic planning or social audit initiative, are the easiest to fund and to evaluate. Although typically not very expensive, they can have surprisingly large impacts (e.g. McGill McConnell “anchoring” grants). Capacity-building initiatives aiming at an overall increase in organizational effectiveness require a longer term commitment and the results must be measurable in terms of improved performance (i.e. relevant programs, organizational resilience and sustainability, efficient policies and processes, and skilled leadership).

For the past year we have funded a capacity-building program in five national environmental organizations, with two other organizations which received similar support participating in a broader “learning circle”. From this we have already gained some useful lessons to guide future such efforts. Among these: the value of a capacity-building grant depends crucially on where an organization is in its “life cycle”; it will only work for an organization that already has a learning culture; it takes time and real commitment – not surprisingly, it turns out that everything is linked to everything else! Among the results we have seen so far is a recognition of just how important it is for the whole organization to be aligned around a common mission (not easy when people are forced to chase grants opportunistically and skimp on management and internal communications), and the value of creating a forum for collaboration and learning – where organizations can share their experience and place their own work in the broader context of creating a movement.

Finally, there is the need for sector-wide capacity building, which cannot be accomplished by a single funder or even a small group of funders but which requires a sustained and collaborative approach.

This, too, is not easy. At the present time there is little appetite among funders for this kind of commitment, whether in the environmental sector or more generally for the voluntary sector. The reasons are many: speaking for the McConnell Foundation (which tends, along with Muttart and Kahanoff, to be the recipient of first resort for many such requests) I can cite a number of reasons these proposals are unpopular: the results tend to be couched in terms of process and are hard to measure; what is most needed is income to cover core costs; the Trustees prefer grants to specific organizations for activities of benefit to identifiable groups, etc. But sector infrastructure is a key part of building capacity, and its need is inversely proportional to the weakness of the sector. For a compelling reason to support infrastructure one need go no further than to look at the remarkable facility in which we are now meeting, the Kahanoff Centre!

For other reasons I direct you to an article in the most recent NonProfit Quarterly entitled *Why Every Foundation should Fund Infrastructure*. “Infrastructure” refers to the intermediary organizations which provide training, management support, technical assistance, research and policy links, a common voice for advocacy purposes and a collective identity and platform for collaborative action. Such groupings can also set standards, benchmark performance, insist on ethical conduct. For many years I have envied the highly developed infrastructure of the voluntary or “independent” sector in the U.S., with its specialized associations, regional and affinity-based groups, academic centres, etc., all representative of a “mature” sector, but the NonProfit Quarterly article argues that even in the U.S. infrastructure is largely supported by a handful of the largest foundations and shifts in their priorities are weakening some of the key institutions – at a time of increasingly harsh and critical public scrutiny of the sector.

If you encounter a lack of enthusiasm among your Board members for such grants, try to build the case for a degree of infrastructure support which is at least proportionate to your level of environmental granting. If you tie grants to specific deliverables such as a training program, add a percentage to help cover operating costs, or add money to an individual organization's grant to enable it to join or subscribe to services. There is a particular challenge in the environment field, namely that much of what is needed is in the area of policy development, advocacy, and even litigation – from which many donors shy away. At the least we need to explain to our boards why these tools are important and legitimate, and help organizations acquire the skills to operate effectively in the policy arena.

Infrastructure funding and capacity building is clearly investments in tomorrow. But as funders we have a responsibility to “take the long view” beyond today's grants and the most immediate organizational needs.

We are here as members of CEGN because we believe that environmental destruction, species loss, climate change, etc. etc., represent real and present dangers to the future of humanity on this planet; we believe that something can and should be done about it, and that time is short. There are not a few of us: apart from those who have dedicated much of their professional lives to environmental causes, millions of Canadians share this concern. Indeed a recent poll sponsored by the Dominion Institute reveals that overall, the environment ranks second only to education in terms of its importance to young people. And yet we hear nothing about environmental issues in the present federal election campaign.

Why is there this disconnect? Why has the environmental movement been so unable to take advantage of the high level of public concern? Why, indeed, does a considerable proportion of Canadians describe themselves as deeply concerned about the environment yet shun the term “environmentalist”, which is viewed as narrow and extreme and exclusionary?

Is it because the public is bombarded by so many warnings of impending crisis that their common roots are obscured? Is it because in the never-ending competition for money the messages become ever shriller, while the opportunities for people to actually get involved and do something meaningful are frustratingly few? Is it because the conflicting claims of science and pseudo-science appear to cancel each other out, and leave just confusion in their wake? Is it because some people's passion for the cause of the environment seems to overwhelm their concern for the needs of people? Or do we simply need a new language: “environmentalist”, perhaps like “feminist” or “humanitarian”, is perceived as carrying too much baggage to describe accurately people's values and outlook today?

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Of course we can speculate endlessly. The question is, do we have a responsibility to do something about it, and if so what?

I have already spoken about the need to improve the financial stability of environmental – and other – organizations, and the particular importance of strengthening infrastructure and building capacity.

But looking ahead we can take advantage of two factors: the likelihood that the environment is going to loom ever larger in people's consciousness – whether because of the growing awareness of health impacts, the likelihood of an energy crisis, extreme weather events, or other factors; and the growing power of a generation which is motivated to act on environmental issues.

We need to ensure that the environmental movement is positioned to take advantage of these by ensuring that environment groups are strong and credible; by beginning now to prepare the next generation of leadership, by ensuring that sustainable development is incorporated into education systems at all levels. The *Green Street* program is already reaching 10,000 K-12 schools and involving some twenty environmental organizations as providers of educational materials, but it needs to be broadened and sustained, and its involvement of young people strengthened – and this is in a context of education curricula which by and large do not address sustainability as such.

I return to the question: how can environmental grantmakers lead? By doing a better job as grantmakers, by combining our efforts where appropriate for greater leverage and impact, and by both funding present needs and investing in future change. In doing these we have a specific role as grantmakers, but beyond that we have a common purpose with the people we fund and the wider Canadian society. What we do is not just about projects and grants; it is about the world we bequeath to our children. Grant seekers and grant makers are two sides of the same coin: we have different roles but a common aim.

It is time, I believe, for us to sit down together to develop a common strategy to transform a fragmented collection of organizations and concerned individuals – including those in the private sector and government – into a powerful movement for change. We in the granting community have a particular responsibility: we can choose to fund “smarter”; to ensure the infrastructure exists to enable a multitude of organizations to turn their diversity into an asset rather than a liability; and to invest – in capacity building, leadership development, opportunities for all Canadians to get involved, and in particular programs which engage youth and which place sustainability in the broader framework of equity and social justice, which for them cannot be dissociated.

We can lead. We have the means. Do we have the will?