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Equipping the Street Saints

How to build capacity with struggling social entrepreneurs who are changing lives for the better

Cover Story from September / October 2002 issue of Philanthropy magazine
By Barbara J. Elliott



The continuing debate over government funding for faith-based organizations (FBOs) has generated a lot of heat and some light, but the most important issue has been neglected: If these groups do uniquely valuable work in lifting up the poor, and if the government can only fund (at most) the secular slivers of their social service programs, then the responsibility for funding the faith in faith-based programs lies squarely in the private sector. I argue that private donors can best equip the street saints by helping these grassroots groups grow into mature organizations that can sustain themselves, regardless of who is in the White House.

Management expert Peter Drucker says the bottom line for nonprofits is changed human lives, and faith-based groups can point to scores of individuals whose lives

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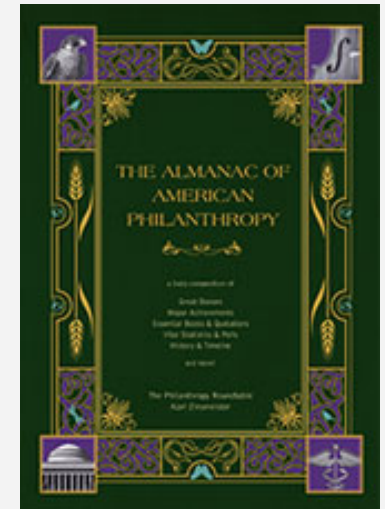
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have been changed for the better. Particularly in the areas that require intensive, personal work—such as drug addiction, criminal behavior in at-risk youth, and adult criminality—the track record of the most effective FBOs indicates that faith helps heal social maladies that have resisted secular cures. Faith-based outreach includes medical care, emergency relief, housing, care of the elderly, abstinence training, shelters for battered women, homeless care, AIDS hospices, food pantries, welfare-to-work, refugee services, and job training. Their cumulative civic value is enormous, not only in alleviating pain, but in creating cohesiveness in a fragmented society. Both those who give and those who receive are changed by the encounter.

Researchers are now grappling with the question, “What is the faith factor?” Strong anecdotal evidence is being bolstered by hard sociological analysis in a growing body of literature, recently compiled by Dr. Byron Johnson in *Objective Hope: Assessing the Effectiveness of Faith-based Organizations* (published by the University of Pennsylvania’s Center for Research on Religion and Urban Civil Society). After a systematic review of nearly 800 studies, Johnson concludes that although comprehensive analysis is scarce, “research on religious practices and health outcomes indicates that higher levels of religious involvement are associated with,” among other things, “reduced hypertension, longer survival, less depression, lower levels of drug and alcohol use and abuse, less promiscuous sexual behaviors, reduced likelihood of suicide, lower rates of delinquency among youth, and reduced criminal activity among adults.” In addition, “higher levels of religious involvement are associated with increased levels of: well-being, hope, purpose, meaning in life, and educational attainment.” Johnson found that FBOs provide “\$20 billion in private funds to social service delivery for over 70 million Americans annually.”

Building Capacity

Clearly, faith-based programs can demonstrate results, even if few have taken time to document their results thoroughly. Their leaders typically have a big vision and passion. Yet FBOs are typically understaffed, inadequately funded, spread too thin, and sometimes chaotically organized. All their energy goes into fulfilling the mission until funding runs out, which it often does; then they kick into panic mode to keep their doors open. The people who enter faith-based work are mission-driven: They are in it because of their faith. As long as their staff consists of a handful of loyal people on a tiny budget, they can make do. But these growing organizations reach

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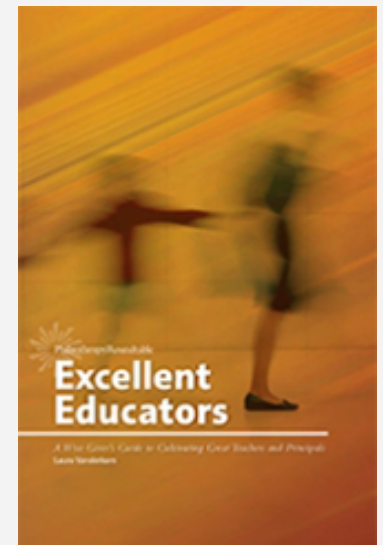
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a point beyond which they need to add another skill set. Turning their charismatic leaders into organizational grinds would divert talent and passion from their mission. But the hard truth is that either the leaders need to acquire these skills themselves, or they need to hire someone who adds them.

Faith-based groups at the grassroots level are often “woefully underdeveloped organizationally,” confirms Dr. Christine Letts of Harvard University. FBOs “have program competence, but they need core competencies beyond program, which is a challenge. They need fundraising capacity, planning capacity, supervisory capacity, multi-site management, logistics, human resources. They always have too little staff, and they’re undercapitalized.”

Capacity building is a way to take these diamonds in the rough, hone their facets, and let them shine from the darkness they pierce. As Jamie Levy of the Indiana University Center on Philanthropy puts it, “The mission is the yardstick and capacity building is the means to meet greater portions of the mission. Organizational capacity building is expressed in increased competence, effectiveness of program design and delivery, enhanced revenue streams, training of volunteers and personnel, and the board’s ability to lead.”

Philanthropy’s New Agenda: Creating Value

Private philanthropists hold the key to renewal for FBOs. Because of the current interpretation of the establishment clause of the First Amendment, government can only fund the secular part of an FBO’s mission. And government funding of these frontline ministries could never be the ultimate answer anyway, because to rephrase Lord Acton’s famous maxim, “Government funding tends to secularize, and absolute government funding secularizes absolutely.” If it is faith that lets faith-based efforts change lives more deeply than their secular counterparts, only private donors can strategically foster the part of faith-based programs that make them work.

In “Philanthropy’s New Agenda: Creating Value” in the Harvard Business Review, Michael E. Porter and Mark R. Kramer argue that, “satisfied with their historic agenda of doing good, too few foundations work strategically to do better. The time has come to embrace a new agenda, one with a commitment to creating value.” Porter and Kramer go on to say that only 2.2 percent of foundation grants are

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designated to improve grantees' performance, even though capacity building can leverage resources significantly. Porter and Kramer contend that foundations which shift from providing funds to improving the grantee's effectiveness can leverage the return on the dollar by a factor of 50 to 100. They are not alone in claiming high returns. An unpublished study by a top-ten university found nonprofits that received capacity building showed a 30 percent increase in the first year after training, expressed in increased scope and effectiveness of programs, revenue streams, staff, and volunteers.

This engagement of private foundations also has a profound civic value. Porter and Kramer insist foundations "have the potential to make more effective use of scarce resources than either individual donors or the government. Free from political pressures, foundations can explore new solutions to social problems with an independence that government can never have. And compared with individual donors, foundations have the scale, the time horizon, and the professional management to create benefits for society effectively." In short, private foundations need to help the street saints figure out what they are doing that changes lives-and how to do it better.

There is resistance to this approach, particularly among donors to Christian organizations. Some funders resist because they want their dollars to flow only to programs. As Fred Smith of the Fourth Partner Foundation and The Gathering laments, "Most Christian funders don't see an organization as having value. They think what they do should be for free. But ideas tend not to turn into reality without organizations. The problem is, most donors don't value competence." This short-sightedness is not limited to donors. As Harvard's Christine Letts observes, "nonprofit leaders are not all leaping to get this extra set of competencies." In the Christian community, some view professionalism as almost anti-spiritual.

Four Effective Models of Donor Engagement

To understand what funders can do to build capacity in social-service providers, we should take a close look at several success stories.

Funding Faith-based Strategy. Hugh O. Maclellan Jr., president of the Maclellan Foundation, and Thomas McCallie III, executive director, have concluded they can add value to the organizations they fund by helping them reach a clear

awarded the Simon Prize in 2005. He has retired from his position as the director of pediatric neurosurgery at Johns Hopkins. He has become a television...

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understanding of their mission, clarifying their goals and outcomes, and helping successful groups achieve the next level of effectiveness. The Chattanooga-based foundation sends the leadership team (executive director, chairman of the board, and a senior staff member) from the nonprofits they fund for a two-day session with a trusted consultant in Atlanta.

While there, the team grapples with questions like, Who is your customer? What business are you in? How do you measure results? The leadership teams often continue the conversations into the night back at their hotel, which is a fertile opportunity for serious strategic thinking. The participants are enthusiastic, as is Hugh Maclellan. “The organizations say, ‘This is fantastic. I’ve never thought about my ministry this way.’” The foundation picks up the tab for travel, hotel, and the consultant. In the past five years they have given training to over 75 organizations. The effect has been profound, Maclellan says. “We’re stepping it up, because it’s the best use of our funds.”

The foundation is also willing to pay for various services to bolster grantees’ performance, including headhunting, development assistance, organizational consulting, expert consultants on program design and development, and computers. The foundation asks organizations to contribute half the consulting fees for the expert they choose from a list of recommended ones, which gives the groups genuine buy-in. If a leader comes to the foundation with a track record and a promising idea, the foundation is willing to invest in bringing it to fruition. For example, a man came planning to use medical expertise in abstinence programs for schools. They paired him with a consultant to hone the organizational structure and program design. He rolled out the plan, which has become a \$4 million organization. “When we look back over 20-30 years of granting, probably our most leveraged dollars have been with consulting help,” McCallie says. “We consistently hear that from grantees.”

An Entrepreneurial Approach. David Weekley brings an entrepreneurial mind to his philanthropic engagement. A successful residential developer from Houston, Weekley now devotes half his time and half his money to charitable endeavors, most of them Christian. Of the 40 to 50 organizations he funds, he chooses eight to ten each year to focus on, offering not only significant funding, but his time and expertise. Weekley chooses them carefully: “First, I have to believe that their model works, that their particular ministry is efficient and effective. I look to see how a gift

from me could leverage their current operations and create ten times or 100 times from what I give. I look where I can add value to their organizations from my own skill set as well as my dollars.”

Because many faith-based groups rely on anecdotal evidence to tell their stories, Weekley points them toward outcomes measurement and urges them to focus on process as they formulate a strategic plan. “I give them metrics and measurements. I open their eyes to where they are being efficient, and where they are not. And I help move them forward at an accelerated pace.”

Beyond that, Weekley frequently hires consultants to augment the capacity of the groups he assists. The groups tell him, for example, “We can’t afford a fundraising consultant to figure out how to do something,” and he replies, “You can’t afford not to.” And, he adds, “I’ll give them a grant to do that.” To help groups reach their goals, he has obtained the expertise of direct mail consultants, computer experts, and search firms.

Weekley believes it is important to move FBOs toward excellence. “I think that all charitable organizations, and probably most importantly FBOs, are underdeveloped in terms of measurements of results. We get anecdotal evidence of wonderful people doing wonderful things, but we don’t hold them to the same standards we would in business, in terms of professionalism, proficiency, or efficiency. In my mind we are doing them a disservice, because if we really want God’s kingdom to be here, we need to have the same kind of excellence standards as we do in anything else.”

Targeting Capacity for Growth. The innovative Fourth Partner Foundation in Tyler, Texas, strategically increases philanthropy in the community while strengthening the capacity of nonprofits. Executive director Fred Smith teamed with an anonymous donor to come alongside nonprofits in a city that has no center for nonprofit management. A staff of seven now serves 36 grantee organizations. “We build on islands of health and strength,” Smith explains. “We only work with those who are receptive. And we only work where if it works, it will make a difference.” The foundation has not focused exclusively on FBOs. Although Smith also heads The Gathering, a group of Christian donors, he minces no words. “I don’t look for faith-based organizations, I look for competence. Some FBOs tend not to be competent.” He adds, “I target organizations that have a capacity for growth.”

Two senior staff members of Fourth Partner bring strong nonprofit management backgrounds to the task and quietly come alongside grantees to remove obstacles to their growth. These staff members look for an organization open to refocusing its approach. “We can teach groups to be intentional about how to get where they want to go,” Ron Gleason explains. The foundation chooses grantees with an eye toward a long-term relationship; many of the grants are multi-year. Over several years of collaboration, they can “teach a visionary leader how to sustain and inform his vision,” Dawn Franks says. The team brings significant “social capital” to the task, with a long history in the community. As Smith puts it, “We want to be a partner. We bring money, counsel, and connections to the deal.”

Nonprofit leaders often need outside influence before they will step back from the tyranny of the urgent to think about what is strategically necessary. For example, Fourth Partner put ten years of one organization’s financial history into a spreadsheet to gain an overview, which enabled the group’s leaders to spot patterns and re-adjust their strategy. The foundation also helped an Anglo church in a changing neighborhood redesign their outreach programs to meet new demands. By grappling with the shifting demographics, this church moved outside its comfort zone to offer first an after-school program, then later a clinic, which have not only served the neighborhood but also re-energized the church. For Habitat for Humanity, the foundation funded a staff member to increase the number of houses built, volunteers mobilized, hours of construction, and dollars raised. In each case, the foundation has directly increased the capacity of its grantees.

A New Breed of Donor. Seattle Social Venture Partners (SVP) was the first of what are now 20 SVP models throughout the country, all of them engaging philanthropists who want to contribute not only money, but their time and expertise to nonprofits. If banks are analogous to traditional foundations, venture philanthropists are analogous to venture capitalists, investing in promising startups. Currently, 280 Social Venture Partners in Seattle pool their resources and vote on recipients, with each individual agreeing to give at least \$5,400 per year, \$5,000 of which goes to the grantees. Two-thirds of the donors give their time as well, with some spending up to 15 hours a week with nonprofit leaders, while others may take on a specific task, like writing a strategic plan or revamping a website.

By creating an “on ramp” for donor engagement beyond writing a check, this new breed of philanthropy is providing a way for managers with a business background

to take their expertise into the nonprofit sector. Paul Shoemaker has been active in SVP for five years and draws some conclusions about what has and has not worked. “Fit is the key,” he asserts, and so is trust. “The funder needs to really understand the investee’s mission, and the nonprofit has to understand, need, and embrace this kind of relationship.” Many nonprofits “are used to working with volunteers who paint the walls, but not with volunteers responsible for business planning, revenue development, marketing strategy, and technology planning. And especially not when the volunteers are also the funders.”

Shoemaker concludes that nonprofit leaders need to stay true to their mission, despite well-intended advice from funders. “What a VP funder brings are business skills and capacity-building expertise, not knowledge about social program delivery or mission definition. It is the merging (not excessive overlapping) of those two sets of skills and experience that can lead to powerful collaborations.”

While SVP has not focused on faith-based groups, it is a model that donors with an entrepreneurial bent could emulate for focused capacity building with personal engagement in FBOs.

What Works?

One significant way philanthropists can power up FBOs is to fund research on what works. Not everything that calls itself faith-based is changing lives. But where the evidence indicates a group is moving drug addicts to sobriety, or turning ex-convicts into upstanding citizens, or changing juvenile delinquents into gentlemen, we need to know what they are doing right. We need to know how to extract the principles of a change in character and motivation, and how to look for indicators along the way toward transformation. And we need to be able to teach those principles to others.

Part of what’s missing in faith-based work is focused intentionality. We don’t really know why faith works when it does, or how to teach others to do what works. The buzz words of “best practices” and “benchmarks” are bandied about at nonprofit conferences, but we lack a clear extraction of first principles on how to move a person from homelessness to a productive life, or to define what it is a mentor does for at-risk first-graders that helps them not just learn to read, but blossom as persons.

Pushing for Performance

Changing the mindset from “doing activities” to “setting and achieving goals” is a growing and much-needed trend among FBOs. Many view their activities as the end, without analyzing the net effect on the people served. As more donors push for performance measurement, leaders of FBOs need to learn how to design programs with specific benchmarks to achieve in the course of the year—not only to let them report back to donors, but also to help them manage more effectively toward outcomes.

Agreeing on measuring outcomes is tricky. Tom McCallie of the Maclellan Foundation admits, “I have resistance with Christian organizations. They say, ‘You can’t measure the Holy Spirit.’ I say, ‘I think you can.’” Changed human behavior is one clear indicator. “We believe theologically that anything that happens occurs in three worlds—the physical world, the emotional world, and the spiritual world. And we may not always be able to measure all of them, but we ought to be able to measure one.”

The Peter F. Drucker Foundation for Nonprofit Management offers excellent seminars for nonprofit leaders that focus their attention on answering the critical questions: What is your mission? Who is your customer? What does your customer value? How do you evaluate results? What is your plan? Leaders who have gone through the process with Drucker’s skilled facilitators have acclaimed its effect in streamlining their management toward strategically defined goals.

Similarly, Claudia Horn and her company, Performance Results, Inc., have been collaborating in a pilot project with the Heritage Foundation to train nonprofit leaders in two-day seminars. Participants are coached to focus the purpose of their programs, examine the assumptions behind their activities, and design tools to monitor their progress in reaching goals. She has worked with fatherhood groups, for example, and helped them redefine an intangible goal like “turning the hearts of fathers to their children” which, though admirable, is impossible to document. Now these groups measure tangible indicators like the number of hours fathers spend with their children, or the number of child support payments made on time.

Why Donors Should Power Up FBOs

What's at stake is far broader than just running faith-based nonprofits well. Our nation stands at a critical moment in reclaiming its soul. While faith has traditionally motivated much virtuous and charitable activity in the country, its vibrancy is ebbing. Fewer people of faith are moving out of the pews into the streets, having succumbed to the tyranny of "busyness" or a retreat into isolation. What was once a vibrant carpet of charity blanketing the country now has gaping holes. But there are people of faith willing to do this work, even if not all of us are. These people are walking into gang-infested neighborhoods to broker truces, mentoring at-risk children, helping families transition from welfare to self-sufficiency, and intervening with prisoners and drug addicts to help them find a better life. They are scooping up human beings broken and battered in body and soul, and loving them back into wholeness.

But the front-line Samaritans are pitifully under-equipped to conquer the isolation, alienation, and hopelessness that quietly cripple so many in our nation. Only if these street saints are given the support they need to do what they do better, will we have a chance of renewing America from within. They need the skills that will make their work more effective and sustainable over time. Private foundations and individual donors are the only ones who can strategically encourage these street saints by funding the faith in faith-based work.

Barbara J. Elliott is the founder of the Center for Renewal in Houston, Texas. She is currently writing a book, with the support of the John Templeton Foundation, profiling the nation's most effective faith-based organizations, along with a guide to giving to them.



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