



Foundation Takes Radical Approach to Transparency in Grant Making

By Alex Daniels



GREG FUNNELL

Peace Direct won a grant from GHR Foundation to provide ethical gold-mining jobs for soldiers in the Democratic Republic of Congo and reintegrate them into communities wary of former militants. Here, a Peace Direct program manager visits a site of the Congo project.

Dylan Mathews, chief executive of Peace Direct, has learned to wait. And wait.

Like many nonprofit leaders who depend on foundation cash, Mr. Mathews is used to the months of dead time that follow a grant application. That silence, he says, often ends with a simple thumbs up or thumbs down.

The response following his application for a share of \$1 million offered through GHR Foundation's BridgeBuilder Challenge was different. He was greeted with a chorus of questions, suggestions, and messages of encouragement. Peace Direct's application for the challenge was posted on a website along with more than 650 others and laid bare for public critique for several months. Last week, GHR named Peace Direct and four other organizations winners.

The public appraisal, Mr. Mathews says, helped him fine-tune his proposal and prepare to run a program with a huge risk quotient: providing ethical gold-mining jobs for soldiers in the Democratic Republic of Congo and reintegrating them into communities wary of former militants.

"A lot of organizations really agonize over their proposals because they just have one chance at this," he says. "You write the proposal and then hope and pray it gets funded. Often you blow it, when really all you needed was a few tweaks."

Ready for Growth

The public challenge represents a big stepping out for GHR, a low-profile Minneapolis grant maker founded in 1965 by real-estate developer Gerry Rauenhorst and his wife, Henrietta.

Traditionally, GHR has supported local Catholic schools and universities, health research, and global development — areas that were dear to the Rauenhursts, according to Amy Goldman, the foundation's chief executive and daughter of its co-founders.

"They had a deep personal connection to their giving," she says. "They wanted it to be private and anonymous."

But under Ms. Goldman's leadership, GHR is preparing for growth.

Over the next three years, the foundation, which has about \$475 million in assets, will likely double in size as the remainder of Mr. Rauenhurst's estate is transferred to its endowment

As a nearly \$1 billion organization, Ms. Goldman says GHR will bear the responsibility of being a more open, public institution.

The BridgeBuilder Challenge, which will be repeated for the next two years, can be seen as a dry run for how the foundation will mobilize its larger endowment. Instead of deciding on an issue or group that needs support and writing a check, GHR issued an open call for applications, provided minimal guidelines, and waited to see who would respond. Then the foundation and its partner in the challenge, IDEO, a Silicon Valley design firm, posted the applications on a website and invited feedback.

"We didn't know what the outcome would be," Ms. Goldman said. "We went into this being flexible and adaptable in an open-ended process."

Golden Idea

The criteria GHR laid out for the challenge were fairly basic. Winning applicants had to demonstrate how they would work to promote peace, improve a population's economic well-being, or clean the environment in the United States or globally. More specifically, the applicants had to connect their bridge-building work between at least two of those three areas.

Mr. Mathews of Peace Direct made a case for connecting all three: His program will attempt to de-escalate conflict in the Congo and safeguard the environment by promoting better mining techniques. In turn, the environmentally friendly mining process could offer local mining cooperatives a premium on their gold and improve the local economy.

To determine the winners, GHR and IDEO used aspects of a design-build framework, a concept adapted from Mr. Rauenhurst's career in business. In the real-estate world, a design-build approach means the designing is still in progress while a building is being constructed, so architects and engineers must work closely and be prepared to make quick changes to the project.

Design-build philanthropy, as practiced by GHR, means that the foundation doesn't simply support one organization working on a cause. It convenes a working group of organizations that can attack it from various angles.

For instance, its working group to keep children out of orphanages and in safe homes in Zambia includes nonprofits that work on health, grass-root groups that are focused on local or national policy in the country, and international organizations that can identify additional funding opportunities and provide other expertise. Money is shifted among those groups as needs arise, meaning that the overall effort is being designed on the fly, even as GHR sends money' out the door.

A similar framework, which invited collaboration and input from others, was used for the BridgeBuilder Challenge. After the hundreds of applications were collected and placed online, a winnowed field of applicants selected by GHR was directed to collect insights from the ultimate beneficiaries of their work and post any resulting changes.

Then GHR assembled a team of experts in the applicant's field to ask a more detailed set of questions. And participants in similar fields were invited to query one another and investigate other applications for clues on how to improve their own work.

Finally, after the applicants were given a chance to respond to questions from IDEO and the GHR staff, outside experts, beneficiaries, and even other applicants, GHR selected the winners.

Big Challenges

For Mr. Mathews of Peace Direct, it wasn't always an easy process. For instance, during the beneficiary-feedback phase, IDEO suggested that the group hold workshops with the gold-mine cooperatives it supports to discuss the issue of corrupt local governments. Under pressure of a deadline, setting up those meetings in a remote part of the world proved difficult.

And the workshops didn't result in a tidy recipe for getting rid of graft.

Still, the process alerted Peace Direct to some of the challenges it might face.

Says Mr. Mathews: "We're going in with our eyes open."

Sol Anderson, executive director of one of the other winners, LIFT-Chicago, said the public application process helped make his group a "smarter organization." He was able to compare notes with applicants in other areas of the country doing similar work, including the Urban Ed Academy, which supports STEM education for teacher candidates in San Francisco, and the Jeremiah Program in Minneapolis, which coordinates anti-poverty programs for parents and their children.

Mr. Anderson had a theory about how to use "ambassadors" to provide career and financial-literacy training to parents who send their children to early-childhood education centers in areas of Chicago experiencing high levels of violence. The intensive application process, he says, turned the theory into concrete steps for action. Even if LIFT hadn't been selected, Mr. Anderson says, the experience would have been positive; future grant applications will be better as a result.

"We got insight into what boards and trustees of foundations ask," he says. "We got to experience that in real time. It was almost felt like Facebook, it was so interactive.

MacArthur Program

GHR is not the only foundation to look beyond the traditional request-for-proposal process to determine where to send grant money. The John D. and Catherine T. MacArthur Foundation, for example, is in the midst of a challenge similar to GHR's BridgeBuilder but on a much larger scale.

In its 100&Change challenge, MacArthur will provide \$100 million to support a new area of work. Incorporating the "sensibility of learning from others" that is part of the design-build approach, the foundation did not preselect the area it would focus on, according to Julia Stasch, MacArthur's president. The Chicago grant maker will work closely with the winner, which will be announced shortly after finalists make presentations in December, to identify and adapt to obstacles.

Ms. Stasch first became committed to the design-build approach when she ran a real-estate development firm. Beyond the \$100 million challenge, Ms. Stasch has begun incorporating a design-build approach throughout the foundation's work because, she says, it can allow MacArthur to have a greater impact on a shorter timetable.

It's a switch from the traditional grant process, which "does not match the urgency of our times and the real need to begin to act, even while designing the path to hoped-for impact," she said in a statement.

Ms. Stasch and Ms. Goldman at GHR have been comparing notes on the approach. For Ms. Goldman, the open challenge promises to shape how the foundation will operate when it grows in size.

"I wanted to open up our windows and get some fresh air into our own thinking and learning at the foundation," she says. "Seeing all of these ideas has really been an opportunity to do that."