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Going Beyond Grantmaking: Using External Help to Extend a Foundation's Core Competencies and Increase Its Impact

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Introduction

Recognizing the limitations of even the most effective grantmaking programs, innovative foundations and other funders have increasingly begun to mine their other core competencies – including convening power, professional relationships, investment expertise, and credibility as community leaders – to advance their social-change objectives. To capitalize on those competencies, they increasingly employ tools and approaches that go beyond traditional grantmaking, from impact investing and advocacy to the incubation and launch of new projects, organizations, and learning communities. They also increasingly employ consultants and intermediaries who can provide additional capacity, specialized knowledge, or technical expertise to enable or enhance such work.

As longtime consultants to foundations and other funders, we have had the privilege to participate in a wide variety of efforts to achieve impact beyond grantmaking. Gwen Walden (2006) first wrote about such efforts in an article titled "When a Grant Is Not a Grant: Fostering Deep Philanthropic Engagement," and she has since helped to lead multiple projects in which funders have combined grantmaking with other approaches to accomplish social and environmental goals. Lauren Marra and Katrina Briddell are philanthropy consultants who have specialized for years in supporting efforts that go beyond grantmaking. All three of us work for Arabella Advisors, a certified B corporation that often helps foundations and impact investors launch or enhance social-change efforts employing both grants and other tools.

Key Points

- The drive to achieve impact beyond grantmaking represents a paradigm shift in the way foundations seek to make social change. By bringing to bear new resources and thinking, this shift has the potential to amplify the impact of the philanthropic sector. Consultants and other intermediaries have critical roles to play in extending and enhancing this impact.
- This article explores the opportunities and challenges inherent in foundations' efforts to go beyond grantmaking and examines how they can – and cannot – effectively use consultants and other intermediaries to enhance such efforts. It presents three cases: incubating and launching a new organization, effectively deploying impact investments, and collaborating to advocate for policy change.
- Using these cases and other experience as a reference base, the article then identifies five ways funders can use consultants and other intermediaries to pursue impact beyond grantmaking, and explores several common pitfalls.

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Consultants and other intermediaries have critical roles to play in extending and enhancing philanthropy's impact in this context. By bringing their own core competencies and skills into the mix, consultants and other intermediaries (who are often technical experts) can augment the toolkit of approaches at funders' disposal, enabling efficiencies and better allocation of time and resources.

key stakeholders in new ways, this shift has the potential to amplify the impact of the entire philanthropic sector.

The Affordable Care Act provides an example of what is possible. At least a decade's worth of movement-building activities, complemented by grantmaking, helped improve health care access and affordability in the United States. The movement-building investments that foundations and other funders made to achieve that milestone included strategic communications; frequent, multistakeholder convenings; stakeholder engagement and education; and impact investments. Coordinated efforts that included grantmaking but extended well beyond it helped produce landmark social change.

At a more local level, the United Way of Greater Los Angeles's advocacy campaign to increase access to rigorous classes in Los Angeles public schools eventually won guaranteed access to a college-prep curriculum for roughly 150,000 high school students. Elise Buik of the United Way reflected on the effort:

> Once we adopted "creating pathways out of poverty" as our mantra, we saw we couldn't fund our way out of poverty. Focusing on real, long-term change meant new strategies beyond grantmaking – research, convening, and mobilizing our various partners into new alliances that advocate for policy reform. The pivot for us was thinking long term, thinking change not just charity, and thinking about putting our brand in service of big-scale change (Ranghelli & Craig, 2010, p. 50).

Consultants and other intermediaries have critical roles to play in extending and enhancing philanthropy's impact in this context. By bringing their own core competencies and skills into the mix, consultants and other intermediaries (who are often technical experts) can augment the toolkit of approaches at funders' disposal, enabling efficiencies and better allocation of time and resources. At the same time, using consultants and intermediaries can also create challenges and necessarily entails potential pitfalls.

This reflective practice article explores the opportunities and challenges inherent in foundation efforts to go beyond grantmaking and examines how foundations can – and cannot – effectively use consultants and other intermediaries to enhance such efforts. First, it presents three cases, which involve incubating and launching a new organization, effectively deploying impact investments, and collaborating to advocate for policy change. Using these cases and other experience as a reference base, the article then identifies five ways funders can use consultants and other intermediaries to pursue impact beyond grantmaking, before exploring several common pitfalls. Throughout, it endeavors to provide practical, grounded guidance for foundations and other funders interested in pursuing impact "beyond the check."

Case Study 1: Launching a New Organization – Literacy Design Collaborative

Funders gain deep knowledge of issues they work on as they make grants and develop relationships with their grantees. Often they develop a keen understanding of the organizations, stakeholders, and individuals seeking to advance the issues they care about. They also often gain unique, bird's-eye perspectives on the challenges, needs, and gaps in the fields they fund, and they are well positioned to invest in and test new approaches designed to address those challenges. In some cases, these approaches can include incubating and launching a new organization to close a gap in the field or otherwise meet a need.

Most funders approach the idea of launching a new organization with significant caution, and rightly so. A substantial investment of funding and time is often required and the risks are many and varied. Determining whether you are more likely to achieve the change you seek by launching a new organization or by investing in existing ones can be immensely difficult. More often than not, the successful launch of a new entity requires buy-in from a wide range of stakeholders with interests that only partly align. And the technical issues involved in creating a nonprofit, standing up its operations, and ensuring it can sustain itself effectively to achieve its mission can be daunting. In the case of the Literacy Design Collaborative (LDC), the Bill & Melinda Gates Foundation effectively used consultants and an intermediary 501(c)(3) organization to help navigate some of those challenges and launch an organization quickly and efficiently.

In 2009, the Gates Foundation had begun investing in the creation of educational tools to help schools in the 46 states that adopted the Common Core State Standards meet the new emphasis on literacy required for all students to graduate ready for college and careers. Research showed that to meet the new standards, teachers would need to design lessons that embedded literacy instruction in all subjects rather than focusing on those skills only in English or reading classes. As a result, the foundation made grants

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over several years to a wide range of education organizations and teacher-training programs. Its support helped to create a literacy-focused instructional framework and tools, develop resources for teaching literacy across curricula, and pilot the implementation of these methods and tools in six school districts. When the pilot showed initial success, the foundation funded an expanded implementation in 65 school districts in six states.

By 2012, momentum for this literacy-focused approach had grown and the number of participating partners and stakeholders had become so large that coordinating the effort became difficult for foundation staff. It was clear that a movement was forming around this approach and that leadership on the national level was needed for it to expand and for high-quality, effective implementation. At the same time, a community of practice for tens of thousands of teachers across the country was necessary to share knowledge, improve the instructional tools and resources in real time, and pursue professional development. The effort had outgrown the foundation's traditional grantmaking model and, after consideration of the field and the capacity of

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existing organizations, it became clear that a new organization – the Literacy Design Collaborative – was needed to carry the effort forward.

In fall 2012, the foundation engaged the New Venture Fund (NVF) to incubate and manage LDC's launch.[1] In addition to providing fiscal sponsorship services and serving as LDC's back-office operations, finance, and human resources partner, NVF hired an executive director for LDC and recruited a steering committee comprised of stakeholders. It also subcontracted with consultants to provide strategic support and business-planning services and to staff the budding organization's programs while it was getting up and running. Once LDC's executive director and staff were hired, NVF worked closely with them to build their capacity to manage the organization's operations independently, guiding them through the process of setting up an independent entity, installing operational systems, and sharing best practices in nonprofit administration. After incubating LDC for a year, NVF helped it spin off in January 2014 into a stand-alone nonprofit organization.

As a relatively new organization, LDC's ultimate impact remains to be seen. Nonetheless, its story contains several interesting lessons for funders considering the launch of a new entity. First, to help mitigate the risk that the LDC would fail to launch, or that it would be ineffective once it did, the foundation used an intermediary fiscal sponsor with significant experience incubating new organizations. Too often, funders identify a promising leader to serve as an executive director for a new organization, provide initial funding to launch the organization, and hope for the best. But even the most talented leader may lack expertise in nonprofit administration or feel uncomfortable in a startup environment. What's more, leaders of new organizations generally should not be focused on operational or administrative details during their first months at the helm. By using an experienced intermediary to manage those details and provide capacity-building support, the foundation freed LDC's executive director to focus more on strategic and programmatic priorities during the organization's critical early days.

For new organizations that do not have the luxury of time, consultants with a sufficient bench size can provide instant bandwidth and capacity to carry work forward as well as provide critical strategic support, project-management services, and technical expertise. In the case of LDC, a team of Arabella Advisors consultants was assembled to carry the work forward while the executive director recruited his own team. The consultants performed time-sensitive tasks such as drafting monthly newsletters, planning convenings, and managing the organization's website. They also contributed to higher-level strategic efforts, working alongside the executive director to interview and engage stakeholders, develop a business plan and cost structure for the organization, and anticipate the organization's needs. For example, the Arabella team made recommendations about the timing for new hires, the resources required for those roles, and when to bring on other specialists such as business revenue-modeling and communications experts.

NVF and Arabella also served as guides to the incubation and launch process, helping to educate Gates Foundation and LDC staff on the anticipated timeline to get a new entity up and

[1] *Arabella Advisors manages the New Venture Fund through a service agreement. NVF is a 501(c)(3) public charity that supports innovative and effective public-interest projects by providing fiscal sponsorship and project incubation services.*

running, as well as on appropriate expectations, benchmarks, and outcomes. By using this combined approach – employing both a fiscal sponsor and a consultant – the foundation greatly accelerated LDC's launch and progress as an organization and positioned it for continued success.

Case Study 2: Strengthening an Impact-Investing Program While Building the Field: The Rockefeller PRI Fund Evaluation

Recognizing the opportunity to deploy additional financial resources to achieve their missions, funders increasingly go beyond grantmaking by engaging in impact investing – they use various types of return-seeking investments to pursue philanthropic goals. As Salamon (2014) notes,

> Where earlier support [for efforts to address social problems] was limited to charitable grants and gifts, now a bewildering array of new instruments and institutions have surfaced – loans, loan guarantees, private equity, barter arrangements, social stock exchanges, bonds, secondary markets, investment funds, and many more.

While interest in impact investing has been growing for some time, few foundations have both broad and deep experience with the practice. One exception is the Rockefeller Foundation, which helped to pioneer the field of impact investing, including through use of its program-related investment (PRI) fund.

In 2013, the foundation asked Arabella Advisors to assess and make recommendations on its PRI fund investments and strategy to better align the fund's efforts with the foundation's broader strategic priorities. Though it undertook this work for a variety of reasons, the foundation had reached a key inflection point. Having developed a new, foundation-wide strategy, it had a unique opportunity to determine how best to use PRIs within that strategy, building on work it had done over the previous two decades. Such inflection points are often opportune times for foundations to employ consultants – to gain external perspective when preparing for change, to facilitate decision-making, and to help manage organizational and cultural change.

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Rockefeller needed both external, objective perspective into what was working well within its own practice and into its areas of challenge, and it needed cross-field vision into the approaches, successes, and challenges of other foundations using PRIs. To help provide that perspective, the foundation brought in an Arabella Advisors team with expertise in impact investing and program evaluation. The team looked closely both at what Rockefeller was doing internally and at how peer foundations and others were using PRIs. While it worked in conjunction with the foundation's internal experts and leaders, it also provided an independent, third-party perspective based both on its own experience and on research conducted expressly for this engagement. Through interviews with internal and external stakeholders, as well as surveys and field visits to speak directly with investees, the team was able to gather objective feedback and explore questions about the foundation's practices.

By employing consultants with the right technical acumen at an opportune time, the Rockefeller team achieved multiple goals. It was able to:

- Gain perspective into its own systems and processes;
- Develop a clear sense of the extent to which the investments it had made had been catalytic, relevant, and successful;
- Answer questions about the overall success of its PRI strategy;

Because they typically work with multiple investors and diverse other stakeholders, consultants often bring a broader view of the range of possible investments as well as a deeper understanding of what is happening across the field. They also often bring needed relationships that extend beyond the philanthropic sector.

- Validate the effectiveness of multiple PRIs, in terms of both their social and financial returns; and
- Develop a better understanding upon which to base investment decisions.

Ultimately, the foundation laid the groundwork for quadrupling its budget for PRIs. It also recognized opportunities to further align its PRI work with its grantmaking efforts. In some cases, Rockefeller will now have the potential to significantly extend its impact by using investments and grants as parallel and even complimentary interventions to help drive system-level change.

Even as the foundation used its consultants' experience and research to learn from others in the field and better understand its own work, it also publicly released its evaluation report – enabling others to benefit from the lessons it has learned.[2] Such willingness to share knowledge helps advance the field and relates to another role consultants can play within it: building cross-sector connections and helping practitioners benefit from one another's perspectives and experiences. Such willingness not only to seek insights but also to share them is especially important in a field that is still developing at a rapid pace, as it enables multiple practitioners to benefit from one another's efforts.

Because of Rockefeller's long history and in-house expertise as an impact investor, its case is in some ways unique. Given the field's relative newness and the bewildering array of instruments noted above, many foundations use impact-investing consultants in even more straightforward ways: lacking the in-house technical acumen and/or implementation experience to engage productively in impact investing, they employ consultants to provide it. But in other ways, Rockefeller's reasons for doing this work, and using a consultant for it, were similar to those a newcomer to impact investing would have. Investors with all levels of experience need insight into what others are doing in their field, as well as into whether their own thinking and planning is sound and grounded in the best available advice. Whether they are becoming impact investors for the first time or looking to maximize existing programs, funders can employ consultants with specialized knowledge to provide such insight and advice.

Because they typically work with multiple investors and diverse other stakeholders, consultants often bring a broader view of the range of possible investments as well as a deeper understanding of what is happening across the field. They also often bring needed relationships that extend beyond the philanthropic sector. Foundations and other investors can use them to:

- Quickly identify activities and opportunities in the impact-investing ecosystem that are relevant to their missions and focuses;
- Educate both internal and external stakeholders about the work impact investing will entail and what it can potentially achieve, including being transparent about challenges;
- Facilitate strategic decisions about whether and how best to engage in impact investing as well as whether and how to integrate it with existing programmatic efforts;

[2] *The entire report can be accessed at http://www.rockefellerfoundation.org/uploads/files/7f038cc1-0112-4bde-b59e-d8caedb42daf-pri.pdf*

- Convene other funders, as well as investors and stakeholders from other sectors, to bring together a range of people who share a common goal and who can maximize their resources and impact by working together; and
- Shorten learning curves and strengthen crucial processes such as due diligence, deal structuring, and impact measurement, and thereby position themselves to achieve impact with their investments more quickly and more consistently than they otherwise might.

Case Study 3: Using an Intermediary to Collaborate on Effective Advocacy – Western Energy Project

Funders increasingly recognize the importance of policy advocacy – at the federal, state, and local levels – in effecting the long-term changes many of us seek, from addressing systematic poverty to conserving natural lands, water, and other resources. Yet few foundations are fully equipped to engage directly in the policy arena – they lack the needed technical acumen and/or implementation experience – and all are restricted by law from engaging in certain types and levels of lobbying.[3]

What's more, structural constraints within the traditional grantmaking process make it ill suited to certain types of effective advocacy work. Opportunities to engage in effective advocacy often arise unexpectedly and rarely follow the timeline of the typical grant cycle. Accomplishing policy-related goals also often calls for coordinated, collective, well-targeted action – work that leads toward a goal that many funders and other stakeholders may share but that may nevertheless be only a small component of each funder's broader mission. As such, while many effective advocacy organizations exist, and while funders may well find or already engage in opportunities to support them through traditional grantmaking, funders may also feel hemmed in as they look to advance their policy-related goals.

While advocacy projects come in a range of shapes and sizes, the Western Energy Project (WEP) provides a case in point for how and when funders can effectively use consultants and other intermediaries to respond effectively

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to such challenges. Hosted at the New Venture Fund, WEP was created in 2009 to protect public lands in the Rocky Mountain West. Its goal is to prevent harmful development of oil and gas on ecologically important landscapes while ensuring that any development that does occur is appropriately located and provides protections for water, air, habitat, and recreation opportunities.

WEP employs a campaign-style approach and works with conservation partners, diverse allies, and decision-makers to identify and develop a set of politically relevant policy priorities or strategic opportunities with the highest likelihood for

[3] *Private foundations set up as a 501(c)3 are restricted from all types of lobbying activities under IRS guidelines. Private foundations set up as a 501(c)4 may fund certain types of lobbying activities. For more on the distinction between advocacy and lobbying, see http://www.cof.org/resources/advocacy-lobbying.*

Because it supplies the same types of support to many other projects, New Venture Fund brings existing tools and extensive implementation experience to this work. In effect, Western Energy Project gets the benefit of having expert human resources, finance, contracting, and project management support without the cost of employing its own staff members for each of these functions.

success. It then crafts campaigns around these priorities and opportunities, focuses resources, and implements actions and tactics accordingly. To achieve its goals, WEP deploys a range of resources: it provides policy expertise; develops capacity of Western conservation organizations; builds and cultivates relationships with decision-makers and opinion leaders; holds industry and decision-makers accountable; employs robust and targeted communication efforts; coordinates targeted field efforts; and seeks to build strategic alliances among a diverse array of local grassroots allies such as sportsmen, Latino organizations, farmers, ranchers, small-businesses owners, and public officials.

Because it is a fiscally sponsored project of an intermediary organization – the New Venture Fund – WEP and its funders have been able to capitalize on a variety of benefits:

- WEP is highly streamlined because it outsources much of its operational, financial, and back-office work to its fiscal sponsor. Often, fiscal sponsors offer economies of scale to small and midsize charitable projects for which operational costs might otherwise seem cost prohibitive. For WEP, NVF employs six full-time staff, manages financial reporting, ensures donor compliance, and manages all contracting and subgranting activities. Because it supplies the same types of support to many other projects, NVF brings existing tools and extensive implementation experience to this work. In effect, WEP gets the benefit of having expert human resources, finance, contracting, and project management support without the cost of employing its own staff members for each of these functions.
- By working on a shared project housed through NVF, WEP's funders and other stakeholders are able to pool their resources and knowledge, mitigating risk and increasing learning for all. Pooling funds also streamlines grantseeking for the advocates WEP supports and helps coordinate: rather than multiple funders each making their own grants to local advocates, many of which are small outfits, one closer-to-the-ground entity – WEP – consolidates the grantmaking process. WEP then serves as a networker, connector, and hub, coordinating efforts on the ground and helping increase the likelihood that the advocacy its funders and stakeholders engage in will be more effective.

As an independent, collaborative effort rather than the project of a single party or donor, WEP can engage in the policy and advocacy arena in ways that the foundations that support it might not if they were operating on their own. In practice, this has led to targeted efforts to engage local officials in moving forward master-leasing plans designed to protect millions of acres of public lands in the West. Thanks to WEP's work and its unique structure, its funders and others stakeholders have seen conservation outcomes achieved that might never have occurred had they worked only separately.

Foundations looking to engage in similar advocacy work can benefit from using consultants and intermediaries in similar ways. Notably, they can:

- Use experienced third-party facilitators to help stakeholders with shared but imperfectly aligned interests collaborate and coordinate in pursuit of common ends;
- Employ tools and vehicles, including specialized intermediary organizations, that enable efficient engagement with grassroots activists and other change makers; and
- Pool resources while outsourcing key tasks to experts with the technical acumen necessary to engage effectively in advocacy efforts while remaining in compliance with relevant laws and regulations.

Five Ways to Use Consultants and Intermediaries to Extend a Foundation's Core Competencies

These three case studies are diverse and cover a broad range of activities. At first glance, they may seem to have little in common. Upon closer examination, however, some key similarities appear. In each case, the central foundations or funders were attempting to do something basically new: launch a new organization, evaluate a comparatively new type of long-term investment, advocate collaboratively in new ways. In each case, the work they undertook was closely related to, but also extended significantly beyond, their traditional grantmaking efforts. And in each case, they were able to use consultants and other intermediaries to supplement their skills and extend their core competencies in order to pursue their social and environmental goals in different ways. These characteristics are common not only to these cases but to dozens of other beyond-grantmaking engagements we have worked on. Reflecting on those experiences, we have identified five common ways in which foundations can effectively use consultants to extend their core competencies and increase their likelihood of success in pursuing impact beyond grantmaking.

Of course, experience has also taught us that consultants are not always the best solution and that the right consultant can vary based on the life stage of an initiative as well as the skills, knowledge, and experience gaps it faces. Some initiatives require different kinds of outside consulting at different times. Consider, for example, the successful use of outside facilitators by the RE-AMP Energy Network, a group of 125 nonprofits and funders across several Midwestern states working to reduce global warming emissions. Rick Reed, a primary stakeholder in RE-AMP, described the shifting need for different types of consultants:

> At the first stage we needed people to feel like there was insight and progress. At the second stage we needed deep buy-in, so we needed another set of consultants. Then we turned to a third consultancy that specialized in facilitation and strategic planning. In the first 18 months of RE-AMP, we must have spent close to $1 million on process alone. But in hindsight, we couldn't have spent that money on programs and obtained even close to the scale of results we're now achieving (Grant & Flower, 2010, p.17-18).

We will consider common pitfalls below, but first, here are ways funders can use consultants most effectively as they engage in approaches beyond grantmaking.

Augment Strategic Planning and Help Build Buy-In

Making an impact investment, collaborating on an advocacy campaign, or incubating a project requires extensive planning, not to mention significant time and resources that could go to other work. Before engaging in such efforts, funders need to pick and choose among approaches, establish a clear vision, and do the planning work. They also need to develop a compelling case for making investments that may entail more risk than do ordinary grants.

During planning, the right consultant can often provide a needed external perspective, helping funders sort through competing priorities, develop visions and strategies, and plan for seeding and scaling investments. Foundations can use them to conduct research and analysis, help assess risks versus potential rewards, and even facilitate board and other stakeholder buy-in and decision-making by delivering information, guidance, and structure to the planning process.

In some cases, including the LDC example, at least some of the longer-term planning can be done in parallel to other work through which a nascent entity or program begins to function. In these cases, consultants and other intermediaries can also provide practical guidance based on experience and extra hands to get the jobs done.

Capitalize on Issue Expertise, Technical Acumen, and Implementation Experience

Before taking on a new approach to making social change, funders should ask whether they have:

- sufficient issue-area expertise to make strategic decisions,
- familiarity with the mechanics of the proposed approach, and
- sufficient capacity and the right leaders to bring the idea from inception to implementation.

For many funders, the skills and expertise needed to launch, manage, and scale an approach outside its traditional grantmaking will not be available internally. In other cases, internal teams may bring significant expertise to the table but may have different ways of operating and little history of working together – program staff, for example, may effectively speak a different language from investment staff.

If and when foundations lack the requisite internal capacity in any of these areas, they may wish to turn to consultants for support. For example, foundations may wish to use consultants with issue-area expertise to help acclimate themselves to a new landscape, learn about its key players, and identify gaps to address based on the field's needs and their own internal strengths and weaknesses. They can also use consultants to quickly gain cross-field perspective and to serve as objective thought partners, as the Rockefeller Foundation did in the impact-investing case. Just as important, consultants with deep technical expertise are often well positioned to help funders better understand an investment vehicle or the ins and outs of a collaboration or advocacy approach. Foundations can use them to shorten learning curves and benefit from established practices that others have tested, as the funders in both the WEP and LDC cases did.

Build Cross-Sector Connections and Function as Third-Party Facilitators

Successfully deploying approaches that go beyond grantmaking often requires a broad and deep sense of a field's actors as well as changes taking place within it. It also often requires funders to listen to and work with others in an effort to develop comprehensive, holistic solutions to social problems. This need derives largely from the recognition that even the philanthropic sector's deep well of resources is not deep enough to solve the social problems foundations are trying to address (Salamon, 2014; Kania & Kramer, 2011; Kasper, Kimball, Lawrence, & Philip, 2013; Grantmakers for Effective Organizations, 2013). Foundations now widely acknowledge that public policy, business actors, and other stakeholders are often critical to achieving long-term, systemic change.

Because consultants' work often entails building cross-sector connections and networks among multiple practitioners in a field, funders can frequently use them as bridges and conveners, building connections and gaining perspectives through them. Often, consultants can help facilitate communication between and among funders and other stakeholders and even translate between actors with shared goals who come from different sectors, as we have frequently seen in our impact investing work, including the case above. Consultants can also function effectively as neutral facilitators and coordinators, enabling foundations and other stakeholders whose interests may align only imperfectly to cooperate on matters that matter to all. Our experience suggests that this need is central to nearly all collaborative endeavors. In some cases, such as the WEP and LDC ones, effective coordination and execution may require an intermediary organization or even the launch of a new entity. In other cases, a single well-positioned and respected consultant can build the needed bridge.

Capitalize on Tools and Vehicles That Lower Risks and Costs and Increase Speed to Market

Going beyond grantmaking sometimes involves employing tools and vehicles that foundations may not have at the ready. In such cases, funders can extend their own capacities by employing consultants with legal, financial, or other technical expertise. Such expert consultants can help them identify and think through the vehicles and platforms that are most appropriate to implement, given the foundation's needs and impact goals. For example, funders may want to use a 501(c)(3) intermediary organization or a full-service fiscal sponsor to incubate new charitable initiatives, make rapid-response grants or microgrants, or responsibly manage their grants, subgrants, contracting, and operations – as they did in the LDC and WEP cases. Or they may want to partner with other funders and use an intermediary as the platform for hosting a donor collaborative or managing a pooled donor fund. They might even want to explore other social enterprise structures, including the flexible-purpose corporation, the benefit corporation, or the L3C (MacCormac, 2007). In each case, experienced intermediaries and service providers can help.

Gather and Deliver Objective Feedback

Like everyone engaged in solving complex social problems, funders can often benefit from the perspectives of external stakeholders, including issue-area and technical experts, grantees and their beneficiaries, and policymakers. In many cases, consultants are better positioned than are foundations themselves to gather honest feedback from other stakeholders, evaluate the foundation's work, benchmark it against the efforts of others in the field, and identify insights that may be replicable. Providing such feedback was a central component of the impact investing case. Notably, such work is often even more important in relation to innovative efforts that go beyond grantmaking than it is with more established programs that may have tried-and-true feedback loops in place. Continually gathering and acting upon feedback is critical to successfully launching new initiatives and, as noted in the WEP case, to effectively executing advocacy and other programs that unfold under rapidly changing circumstances. Foundations can use consultants as their eyes and ears in efforts that operate outside the normal grant-report cycle, and in which candor and quick adaptation carry a particularly high premium.

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Common Pitfalls

While consultants with the right skills and experience are often well positioned to support funders in realizing the changes they wish to see, there are some functions consultants generally cannot effectively replace, as well as some common pitfalls that funders will want to avoid. In the cases above, the funders have largely avoided these pitfalls. In other cases we have seen, however, they have undercut otherwise promising work.

Funders should recognize that there are inherent limitations to the role consultants can and should play in mediating relationships with key stakeholders, including board members, grantees, and essential implementation partners. Funders need to be seen by these stakeholders as the champions of their strategies.

1. *Delegating too much:* Foundations should avoid the tendency to delegate too much; doing so can compromise the durability of an initiative and weaken relationships with key stakeholders. Efforts that go beyond grantmaking are often more complex, risky, and resource- and time-intensive than a foundation's traditional efforts. Taking them on can be intimidating and chaotic, making it tempting to delegate both strategic and operational decisions to consultants. Ultimately, change makers need to be the drivers of their own visions and strategies in order to rally the funding, staffing, and partnerships necessary to achieve impact. While foundations can use consultants to help inform strategic decisions through research, analysis, and facilitation — as they did in all of the cases above — and to assist with implementation and evaluation, decision-makers in the foundation should be the arbiters of all major strategy or policy moves.

2. *Outsourcing key relationships:* Funders should recognize that there are inherent limitations to the role consultants can and should play in mediating relationships with key stakeholders, including board members, grantees, and essential implementation partners. Funders need to be seen by these stakeholders as the champions of their strategies. Consultants can play a lead role in brokering relationships with influential partners, especially external partners such as policymakers and peer funders, and they are often crucial to helping forge connections, make introductions, and spur conversations. Nevertheless, relationships with these stakeholders will always require time and attention from the funder – and, if anything, this is even more important when foundations are working to implement comparatively unfamiliar efforts that go beyond grantmaking. Regardless of the audience, funders and consultants should have upfront dialogue to determine each party's role in relationship management and the degree of control a funder wishes to maintain over key relationships.

3. *Sending the wrong messenger.* Funders should avoid having consultants communicate changes in strategic direction or other sensitive matters common to complex beyond-grantmaking efforts. Times of change are critical moments when stakeholder confidence in a funder's vision, leadership abilities, and strategic decisions should be reinforced. Foundations can look to consultants to help them prepare to communicate hard decisions and support staff through change, but should bear in mind the importance to any message of its perceived source. A message, negative or positive, that comes from a source perceived as external to the organization undergoing change can be harder to hear. A strong message delivered by a respected internal leader can inspire organizational adaptation and impact.

4. *Underestimating the importance of "fit":* When engaging a consultant for work beyond grantmaking, funders should be especially wary of potential differences in style and approach. Along with exploring a potential consultant's skills, knowledge, capacity, and experience, changemakers should examine

whether their communication styles and approaches to relationship and project management align. Asking questions about how the consultant typically works with clients and their frequency and manner of communication, and clarifying these expectations and working styles up front, can make the engagement more effective. This is particularly important for efforts beyond grantmaking in which consultants can come to feel like internal colleagues: engagements are often longer term, the volume of communication higher, and the challenges more frequent and sometimes more complex and sensitive.

Conclusion

The number of ways in which funders can deploy their resources beyond and in concert with their traditional grantmaking is vast and growing. What's more, the various approaches are not mutually exclusive: they often dovetail or overlap with each other and with traditional grantmaking efforts. If our experience proves anything, it is that the number of ways to combine approaches in pursuit of social change is nearly infinite. For instance, sometimes the right solution is for donors to collaborate to conduct advocacy, which eventually leads to the need to incubate a new organization – which might wind up taking grants, making grants, deploying impact investments, or all of the above.

Furthermore, just as there is no one right way to run a grantmaking program, so there is no one right way to go beyond grantmaking. Collaboration, advocacy, impact investing, project incubation, and convening all require unique skill sets. A key common thread among them, however, is that they are often outside the standard practices and/or existing core competencies of the foundations that may now wish to employ them.

Here consultants and other intermediaries can play critical roles in extending and enhancing philanthropy's impact. Funders can effect transformational change at the systems level by harnessing the potential of impact investments; using their convening power; effectively collaborating with governments, grantees, and their beneficiaries; testing new ideas through incubation; and leveraging dollars to influence policy. Yet, taking on these endeavors is neither easy nor low risk. Consultants and other intermediaries can be strategic partners in helping funders not only think big but approach wisely. By acting as neutral sounding boards and thought partners, as sources of issue expertise and technical acumen, and as efficient, nimble implementers, consultant and other intermediaries can help funders boldly and successfully exploit philanthropy's new paradigm.

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