

THE KRESGE FOUNDATION
WILL THIS BOLD GRANTMAKER
BECOME THE NEXT GREAT
SOCIAL JUSTICE FOUNDATION?

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ABOUT THE AUTHOR

Elizabeth Myrick has worked in the philanthropic sector for more than 15 years, beginning with serving as program director for the Maine Community Foundation. As a grantmaker, she worked closely with communities, nonprofits and donors to design and evaluate grantmaking and endowment building programs. From 2000–2008, Elizabeth held senior positions with The Aspen Institute, first with the Community Strategies Group and later, as assistant director of the Nonprofit Sector and Philanthropy Program. From 2002–2010, she directed the Community Giving Resource/SmartLink, a set of online tools and research created especially for donors and foundation trustees giving locally to neighborhoods and communities.

Beginning in 2008, Elizabeth has worked as an independent consultant assisting nonprofits and foundations in their efforts to learn, act strategically and improve policies and practices to achieve lasting impact. As lead program consultant, she designed and helped implement the Council on Foundations' Career Pathways, a cohort-based leadership program for senior foundation staff representing diverse backgrounds. Since 2014, Elizabeth has directed the Frank Karel Fellowship in Public Interest Communications, a summer program that selects and places first-generation and minority undergraduates on communications teams within social justice organizations. Other clients include family foundations, public foundations and national nonprofits. Elizabeth has authored two other Philamplify assessments, on the Robert W. Woodruff Foundation and the Hess Foundation. She lives with her husband and two children just outside Washington, D.C.

OVERVIEW OF METHODOLOGY

NCRP has developed an assessment tool for foundations that addresses the strategic practices outlined in *Criteria for Philanthropy at Its Best* and its more recent report, *Real Results: Why Strategic Philanthropy Is Social Justice Philanthropy*. The former provides a comprehensive and nuanced set of benchmarks that foundations can use for effective operational and grantmaking practices. The latter argues that, to maximize impact, foundations must be both strategic and just. This means not only having clearly aligned goals and strategies and ways to measure impact, but also considering who benefits from the foundation's grantmaking and how. This involves seeking input from affected communities and attempting to change systems that perpetuate inequity. A comprehensive, nuanced examination of foundation goals, strategies and practices is needed to understand how well a foundation can marry strategy and justice to be more impactful.

KEY QUESTIONS

To this end, the assessment addresses these key questions:¹

Overall Goals and Strategy

- What are the foundation's primary goals, and is it employing strategies likely to achieve them?
- Which stakeholders and what sources of data and best practices have informed these strategies?
- Given its mission and goals, is the foundation appropriately seeking to benefit or empower underserved communities? Is the foundation applying an equity lens or analysis to its grantmaking? Is it addressing disparities in outcomes for the issues or constituencies it prioritizes?
- Does the foundation pursue systemic change strategies? Does it support grantees to use the full range of

advocacy tools legally at their disposal? Is the foundation leveraging its limited dollars in ways that are consistent with its mission and goals?

- Is the foundation looking at the ecosystem of actors within the sphere it seeks to influence and collaborating strategically with others?

Outcomes and Impact

- Has the foundation worked across sectors and silos to achieve impact?
- Has the foundation effectively supported community-driven collaboration and coalitions among grantees and other nonprofits?
- How does the foundation measure its progress and impact?
- Can the foundation and its stakeholders point to specific signs of progress?

Partnership with Grantees

- Does the foundation employ responsive grantmaking practices, such as providing core support and multi-year funding? How do the foundation's grantmaking practices advance or hinder achievement of its goals?
- How does the foundation go beyond the grant to leverage its relationships, convening power, expertise and other assets to help grantees achieve mutual goals?
- Does the foundation solicit feedback from its grantees and applicants and act on that feedback?

Other Effective Practices

- How do the foundation's investment and payout policies and practices support its own mission and the goals of its grantees?

- Does the foundation operate in a transparent and ethical manner, with policies in place to prevent fraud and abuse?
- Is the board of directors large and diverse enough to allow for effective and ethical decision-making?

DATA COLLECTION AND ANALYSIS

To answer these questions, NCRP employed the following research methods:

1. **Document review.** Extensive review of the foundation's publicly available materials, including 990-PFs, grant descriptions, news articles from recent years referencing the foundation, grantee and foundation press releases and reports relevant to the foundation's history and strategy.
2. **Confidential interviews with local, regional and national grantees and other stakeholders.** The Kresge Foundation made grantee contact information available to the researcher. Grantees were selected for interviews based on geographic, issue and size representation. In addition to grantees, NCRP interviewed a cross-section of individuals in the sector who are familiar with the foundation's grantees or with the nonprofit and philanthropic sector. Stakeholders were identified by NCRP and the researcher, and referrals were made by stakeholders themselves. These included state, regional and national grantmakers, philanthropic consultants, media and nonprofit leaders who were not current grantees. Researchers employed qualitative evaluation software to perform content analysis of interview transcripts. The research team read through all of these qualitative data, identified key themes, compared notes and further refined the codes. When stakeholders suggested additional names, NCRP

reached out to them directly. This report incorporates input from 45 grantees and other stakeholders.

Unless otherwise noted, the quotes used in this report are from these interviews.

3. **Analysis of the Center for Effective Philanthropy's 2014 Grantee Perception Report summary.** The Kresge Foundation shared with NCRP the summary of findings of its most recent Center for Effective Philanthropy Grantee Perception Report. The summary was studied to discern if any correlations existed among the grantees based on characteristics (e.g., program area, population served, location, type of support) and their responses about key topics such as foundation effectiveness and partnership with grantees.
4. **Reports and news articles, referenced throughout this document.**

RELATIONSHIP WITH THE FOUNDATION

NCRP developed this assessment method and selected the Kresge Foundation for assessment in the summer of 2014 and launched the assessment process in early 2015. The Kresge Foundation is a grantmaking member and supporter of NCRP. NCRP was not contracted or given a grant to conduct the review, and NCRP maintained full discretion over the collection and analysis of data, as well as report writing. While NCRP conducted this research independently, we invited Kresge to participate in shaping and implementing the review. The foundation's leadership understood the potential value of this independent study as an opportunity to receive honest and actionable feedback about its efforts as well as to share learning with the field about its approach. Further, Kresge had just completed, with the Center for Effective Philanthropy, a third

Grantee Perception Report in 2014,² and generously made that summary report available to NCRP's researcher. NCRP has shared the study's methodology and objectives with the foundation's executive team. A draft of this report was provided for review and feedback.

EXECUTIVE SUMMARY

This report finds that the Kresge Foundation grapples sincerely with its history and values, and with an admittedly impatient desire to tackle climate change, create resilient cities and close gaps in opportunity faced by low-income individuals and families. The foundation is bold, ambitious and outspoken in ways that disrupt and provoke the philanthropic sector, which is historically more patient and conservative.

Few foundations have embraced risk as profoundly and publicly as the Kresge Foundation during the past decade; indeed, the foundation has moved 180 degrees from risk avoidance to risk pursuit. Prior to 2006, the foundation awarded grants only when success could be assured in what was known as the Kresge Challenge period. Since 2006, strict feasibility studies and matching funds have given way to a distinct point of view, new tools, pooled funding agreements and even a “grand bargain.” In the process, Kresge has pioneered strategies that seek to change complex systems in health, human services, education and the environment; integrate arts and community development; and help Detroit rebound from bankruptcy.

By participating in this research, Kresge shows a refreshing willingness to receive feedback and calibrate strategies based on what is working and what could be improved. Toward this end, this report offers actionable findings and recommendations emerging from grantee and other stakeholder feedback and based on practices outlined in NCRP’s reports *Criteria for Philanthropy at Its Best* and *Real Results: Why Strategic Philanthropy Is Social Justice Philanthropy*.

With visionary governance and bold leadership, dedicated staff, an unwavering commitment to underserved communities and cross-cutting approach to issues, the foundation has carved and continues to blaze a path toward lasting social justice impact. The Kresge Foundation is eager to dig in, tackle big projects, advocate for big ideas and take risks to benefit marginalized and low-income communities. By improving operations and responsiveness to grantees, bringing more explicit attention to racial equity throughout its work, and more deeply engaging with communities in Detroit, Kresge will continue to evolve and achieve significant impact in strategic and just philanthropy.

Few foundations have embraced change – and its attendant risk – more than the Kresge Foundation. Kresge proves that no foundation is too set in its ways to hit the reset button and try something new. NCRP believes that Kresge’s experience can light a path for philanthropy, inspiring and informing other foundations to grapple with the risks and reap the rewards of social justice philanthropy.

FINDINGS

- 1. The Kresge Foundation’s goals and strategies are well-informed and demonstrate a strong commitment to systemic change across its seven program areas.** Kresge Foundation strategies are informed by its own history, a highly-skilled staff and external research and expertise.

2. **Ambitious and bold, the Kresge Foundation embraces complexity by deploying multiple philanthropic tools to achieve its vision.** These tools include convenings, thought leadership, field-building and advocacy, as well as grants, loans, direct investments, pay-for-performance instruments and loan guarantees.
3. **Maintaining a relentless pace since its 2006 strategic shift, the Kresge Foundation's tolerance for risk has put it on a path toward achieving significant impact in underserved communities.** Several program areas, particularly the environmental program, have exhibited the potential for profound impact in exemplary pursuit of social justice grantmaking as described in *Criteria for Philanthropy at its Best*.
4. **The foundation often excels at strategic risk-taking and public leadership, but sometimes – particularly in Detroit – struggles to balance its tolerance for risk with a need for control.**
5. **While the foundation is openly committed to fostering economic opportunity in low-income communities, it does not always explicitly use a racial equity lens, weakening its strategic commitment to opportunity.**
6. **Grantees and other stakeholders consider Kresge's program staff to be top-notch;** staff received almost universal praise for their dedication and hard work, passion and intelligence, relationship-building and authenticity.
7. **Kresge's grantmaking is flexible, works across silos and prioritizes the capacity-building needs of grantees and the larger ecosystem of actors working on targeted issues.** Kresge grantees appreciated its support for collaboration and convening to foster shared learning and networking.
8. **Kresge's process of selecting and vetting grantees can be daunting and sometimes frustrating in terms of timing, expectations and accessibility.** While staff are highly respected, stakeholders believed they might be stretched too thin or not deployed efficiently. Accessibility and responsiveness of staff remains a challenge.
9. **The Kresge Foundation meets and exceeds most of NCRP's criteria for effective practices and good governance, notably in its commitment to transparency and to diversity in its staffing and leadership.** Kresge continues to invest in robust communications, is active in national and regional associations and shares reports, speeches and program descriptions on its website.

RECOMMENDATIONS

NCRP urges the Kresge Foundation to consider and act on the following recommendations:

1. **Keep practicing strategic, social justice philanthropy by taking risks and sharing the underlying values and assumptions behind the foundation's strategies, and the resulting outcomes.** Kresge has led the field and can continue to do so, especially in its commitment to underserved communities, systemic approaches, cross-issue grantmaking, public leadership, multi-year funding, and nonmonetary support (convening, collaboration and strategic communications).
2. **Build upon the foundation's commitment to economic opportunity by incorporating a racial equity**

lens in the theories of change, tools and internal operations of the foundation. Improved cultural competency can enhance an already strong, values-based commitment to closing gaps in opportunity and access for low-income individuals and families. Peers in philanthropy, including the Ford Foundation, Woods Fund of Chicago and The California Endowment, offer models for explicitly addressing structural racism and equity in philanthropic mission and strategy. Kresge's existing strategies, commitment to partnership and use of strategic communications could be even more powerful with a racial equity lens built into its DNA. Applying a racial equity lens opens the door to examine other barriers to equity, for example, barriers affecting LGBTQ populations.

- 3. Especially in Detroit, continue recent efforts to forge relationships with neighborhood and nontraditional leaders to develop a more inclusive understanding of potential partners and levers for social change.** Now maturing into the strategy it launched in 2006, Kresge is poised to develop even more intentional collaboration with grantees. The foundation should work to confront the "distortion field" resulting from its size and influence. As recent programmatic adaptations suggest, mixing equal parts restraint and responsiveness into its already risk-tolerant strategy will reinforce, rather than diminish, Kresge's systemic impact.
- 4. Increase payout to 6 percent and invest the additional resources to expand and support staff and to increase grantmaking to pursue the foundation's ambitious, hands-on agenda.** Stakeholders almost universally praised Kresge's staff, but many wondered whether the foundation can maintain its pace while

creating a more supportive risk-taking environment for program officers. An increase in staffing could benefit grantee relationships and strategic impact. The problems Kresge seeks to address are urgent and important for society; adding 1 percent to payout, approximately an additional \$35 million a year, would help Kresge make faster progress in solving these challenges by boosting staff capacity and grantmaking.

- 5. Expand mission investing to a higher percentage of the foundation's corpus and divest from fossil fuels to align investments with environmental goals.** NCRP recommends that the foundation work toward a goal of 25 percent of assets in mission investing.
- 6. Continue to communicate strategically, especially when stakes are high, but show equal willingness to provide a platform for others when doing so will contribute to longer-term goals and relationships.** Kresge leads boldly and uses its "bully pulpit" effectively and often. Kresge showcases the work of its grantees and communicates results; stakeholders urged Kresge to share more of the why and how. Stakeholders would like to know more about the big picture, how the parts add up to the whole and what the foundation has learned about its own impact. Recent communications suggest the foundation is already acting to address these concerns.

INTRODUCTION

Foundations are well-known for their hesitance to take risks. But what constitutes risk for institutions managing mostly endowed assets within a culture of cautious, calculated grantmaking and investment? Risk avoidance marks this sector and its often insular, unhurried processes; foundations often are criticized for working too slowly and cautiously. Stakeholders – including NCRP – urge foundations to use the freedom they have from voters, customers and shareholders to advance long-term, inclusive and socially just outcomes. A November 2014 blog post from Duke University’s Center for Strategic Philanthropy & Civil Society addresses the concept of risk in regard to Kresge and other foundations seeking transformative change, but admits that more data and greater understanding of each foundation’s context is needed before determining whether and when a foundation’s choices are truly risky.³

Over the last decade, working against type and its own history, the Kresge Foundation has embraced philanthropic risk – often betting significant reputational and financial assets in the process. Intense praise and criticism, as well as disproportionate expectations, have surrounded Kresge’s risk taking. On one hand, Kresge is criticized for not going far enough, for not fully comprehending the effects of – and the foundation’s power to address – society’s most insidious and violent barriers to human progress. On the other hand, Kresge’s influence over the implementation and operations of grantees and civic structures is criticized for setting a dangerous precedent in which elite foundations control markets, governments, public infrastructure

and social progress. Some battle-weary stakeholders feel the sting of Kresge’s implicit, and sometimes explicit, critique of their own efforts.

This assessment of the Kresge Foundation takes into account the context in which the foundation exists, including the elevated expectations around it, the countless definitions of philanthropic role and function, and the lopsided grantee/grantor dynamic which few, if any, foundations successfully defuse. Even within this highly charged context, positive feedback from a majority of grantees and other stakeholders shows the Kresge Foundation to be a promising and powerful example of social justice philanthropy.

ABOUT THE FOUNDATION

Nearly a century after visionary retailer Sebastian Spring Kresge (1867–1966) established the Kresge Foundation, it has grown into a \$3.5 billion private foundation that remains focused on its mission “to promote human progress.” The Kresge Foundation works to expand opportunities in American cities through grantmaking and investing in arts and culture, education, environment, health and human services, with a particular focus on community development in the city of Detroit. In 2014, the board of trustees approved 408 awards totaling \$242.5 million. The foundation’s social investment practice made commitments of loans, deposits, equity and guarantees totaling \$20.4 million in 2014.

With 80 individuals, including 29 program staff working across seven program areas, the foundation is led by an executive team that includes Rip Rapson, president and CEO; Amy Robinson, vice president and chief financial officer; Robert Manilla, vice president and chief investment officer; and Ariel Simon, vice president and chief program and strategy officer. Three staffers manage the social investment team and seven make up the grants management department. Thirteen individuals comprise the investment team while five work in human resources and two lead Kresge’s information technology department.

Recognizable threads tie today’s complex institution to the visionary and ambitious character of the foundation’s namesake. While S.S. Kresge may not claim the name recognition of contemporaries Henry Ford and John D. Rockefeller, his rise from farmer’s son to founder of a retail-

ing empire catering to middle-class families – what would become Kmart – is no less present in the lives of generations of Americans. The apocryphal story of the 10-year-old S.S. Kresge launching a profitable honey business from the gift of a single bee underscores the founder’s mantra that hard work and ingenuity yield exponential impact. Kresge invested his beekeeping profits in his first five-and-dime store, and the rest is history. Kresge himself once said, “Bees always remind me that hard work, thrift, sobriety and earnest struggle to live an upright Christian life are the first rungs on the ladder of success.”⁴

Practical and thrifty to the extreme, S.S. Kresge was born in Monroe County, Pennsylvania, “with a strong Pennsylvania Dutch upbringing consisting of a belief in hard work, thrift and religion.”⁵ Kresge was known, even during his lifetime, for his frugality and work ethic. His frugality even led to the very public collapse of his first two marriages (he was married three times and divorced twice, with five children from his first marriage). Nevertheless, in his business dealings, Kresge was well-known for his generosity to both high-level managers and rank-and-file employees. In current times, when retail employees struggle for paid sick leave and a livable wage, it is worth noting that “from the very start of [Kresge’s] enterprise he gave Kresge workers paid sick leave, paid holidays, profit-sharing bonuses and pensions on retirement.”⁶

Beyond his business ethics, Kresge’s personal philanthropy created and continues to cultivate a significant legacy. Kresge’s charitable interests were driven by his identities as

a Methodist, prohibitionist and man of industry. Kresge's long life made him witness to and an active participant in more than 40 years of the Kresge Foundation's philanthropic strategy:

"Kresge's foundation also focused on self-help charitable efforts that enabled the poor to lift themselves out of poverty. ... Kresge's earliest grants reflected this preference for mature organizations: the YMCA and the Girl Scouts were among the earliest grantees and remain grantees to this day. Under Sebastian's close personal guidance – he remained an active member of the board until his death – the Kresge Foundation has distinguished itself by its willingness to give large grants to support major brick-and-mortar projects for established institutions."⁷

S.S. Kresge supported a wide range of charitable institutions as well as advocacy for prohibition. From 1924 until 2004, his foundation pursued a strategy of matching grants to well-established organizations raising funds to expand or construct new buildings. This strategy left both a tangible and unique philanthropic mark on this country's landscape. Even with a dramatic shift in strategy between 2004 and 2006, Kresge's 80 years of bricks-and-mortar grantmaking endures as recognizable impact.

With its broad mission to promote human progress, the Kresge Challenge Grant supported fundraising campaigns to build anchor community institutions. The program "contributed to the creation of the nation's nonprofit infrastructure. [It] created community excitement, spurred the growth of a nonprofit's donor base and helped the organization reach its fundraising goal."⁸ Cities all across America have hospitals, libraries, museums and university buildings that bear Kresge's name, including at Massachusetts General Hospital in Boston, the Art Institute of Chicago,

Stanford University and the National Civil Rights Museum in Memphis, Tennessee.

In an interview he gave just before his retirement in 2006, John E. Marshall III, Kresge's then president and CEO, discussed the challenge grant strategy and its underlying assumptions and strategic purpose:

"In business terms, I think Mr. Kresge – who was a businessman, after all – wanted to know that people who received money from his foundation would use it to accomplish two things: raise the rest of the money they needed to build the building they wanted to build; and two, to sign a contract with a builder so that everyone could be reasonably sure the building would be built."⁹

Beyond the goal of completed capital projects, Marshall described parallel goals focused on donor engagement, sustainability and innovation:

"What we've done with those two simple expectations is to fold them into a much more elaborate capacity-building process that pushes a nonprofit to achieve some of the other growth milestones. ... Not growth for growth's sake. But an organization that is able to support its programs with ever-increasing donated and volunteer support obviously has more options than an organization that can't. ... In my opinion, the nonprofit that has a healthy, alternative stream of support from a committed donor base is more likely to innovate in its programming and do a better job of serving the community."¹⁰

Marshall joined the foundation as vice president in 1979, became president in 1987 and was promoted to CEO in 1993. Thus, he witnessed and participated in an evolution of Kresge's strategy, including an emerging emphasis on

“green” building, evidenced by construction of the Kresge Foundation’s own LEED-certified headquarters in Troy:

“We got into sustainable design because we were starting to hear about it from lots of different people. Finally, at our last board-staff planning retreat, we asked ourselves whether, as a funder of capital projects, we should take a position on sustainable design. As I said earlier, we try not to intrude in the project-selection process, but with a new technology paradigm emerging we felt it was time to ask whether we should encourage nonprofits to be part of the workout of some these strategies and approaches. And the answer from our board and staff was yes.”¹¹

Throughout Marshall’s tenure, the Kresge Foundation remained prominent in Detroit’s philanthropic community as both a donor and a colleague. In 1984, Marshall’s leadership, alongside a \$5 million Kresge challenge grant, helped launch the Community Foundation for Southeastern Michigan.¹² More than one philanthropic stakeholder described Marshall’s, and thus Kresge’s, role in the Detroit philanthropic community as marked by collegiality and trust. One explained:

“We are rich philanthropically in Detroit. And so, the various foundations do different things; in John Marshall’s time, it was not uncommon for us to sit around and bounce ideas and then divide up what was needed and how we would work together to get things done, with each recognizing the role of the others.”

From the perspective of grantees, however, the process of completing a Kresge Challenge was remarkably linear – and laborious. One Kresge Challenge grantee summed it up this way:

“They papered you to death. Seemed like overkill. The ‘old Kresge’ went a little overboard with the paperwork. Stuff that wasn’t relevant. It was time-consuming, but worth it in the end. There was something that came along with the paperwork and that was condescending, basically gave the impression of, ‘You guys aren’t ready for primetime and need to get your act together.’”

A series of questions and steps offered guidance to applicants and signaled a strategy focused on quantitative, highly technical inputs and outputs.

Marshall’s long tenure and Kresge’s consistent strategy speak to alignment among Kresge’s executive leadership, the foundation’s goals and strategy and the perception of Kresge’s role in the community and country. With Marshall’s retirement in 2006, Kresge’s board of trustees saw an opportunity to ask new questions and explore new opportunities for qualitative as well as quantitative impact.

From S.S. Kresge through John Marshall’s tenure and under Rip Rapson’s current leadership, Kresge’s executives have been known for their bold leadership. Thus, it was not surprising that when Kresge’s board appointed Richard “Rip” Rapson to succeed Marshall in 2006, grantees and other stakeholders recognized rightly that change would be afoot. With a background in philanthropy as former CEO of Minneapolis’ McKnight Foundation and as deputy mayor of Minneapolis, Rapson brought what the chair of the search committee described as “diversity of experience . . . [that] suits the Kresge Foundation, since our grants advance the work of many types of nonprofits.”¹³ Rapson’s depth of experience and success in forging a role for philanthropy within public policy and civic engagement was, in fact, rewarded with the McKnight Foundation’s receipt of the inaugural 2002 Paul Ylvisaker Award for Outstanding Public Policy from the Council on Foundations.

One of Rapson's first moves involved editing the challenge grant guidelines to include an initial question that asked applicants to make "a strong case for why your organization and your proposed project fits within Kresge's programmatic priorities and advances Kresge's values."¹⁴ No longer would challenge grants emphasize computable financial projections over alignment with Kresge's values and programmatic priorities. Instead, the balance would be weighted toward a qualitative fit with discrete program areas and, within each program area, a combination of qualitative and quantitative results.¹⁵ Indeed, nearly a decade after Rapson joined the foundation, the goals and strategy of the Kresge Foundation have shifted dramatically, the result of significant organizational development, strategic communications and an evolution in Kresge's culture of forceful leadership.

KEY FINDINGS

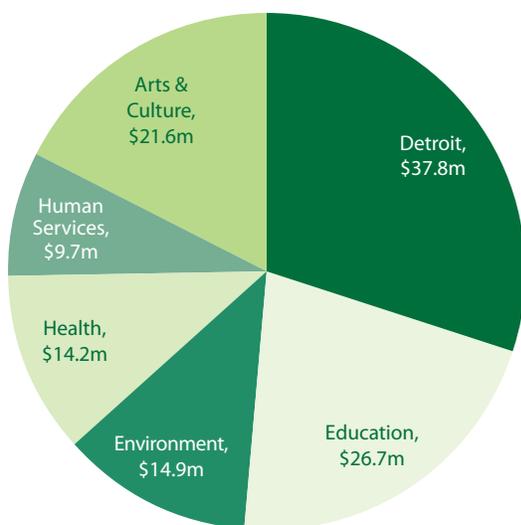
GOALS AND STRATEGIES

1. The Kresge Foundation's goals and strategies are well-informed and demonstrate a strong commitment to systemic change across its seven program areas.

In 2007 and 2008, the Kresge Foundation transitioned from its challenge grant strategy, with the following explanation:

"Eager to keep the expansion process in fast-forward, we began in 2008 to explore ways to embrace more flexible funding methods, enabling us to help organizations in ways they need it most. In other words, where we have been broad – supporting the needs of nonprofits with capital building projects across wide fields of interests – we are becoming narrow and focusing squarely on those who are underserved in our communities.

Chart 1. Kresge Funding by Program Area (2014)



Note: This graphic does not include special initiative grants, program-related investments (PRIs) or the foundation's commitment of \$100 million to Detroit's grand bargain.

Where we have been narrow – using facilities capital challenge grants as our powerful, primary grantmaking tool – we are becoming broad, with multiple and innovative approaches to grantmaking that permit us to partner with worthy organizations in ways they deem most appropriate.”¹⁶

In pursuit of its mission to promote human progress by improving the quality of life in America's cities, the Kresge Foundation today organizes its grantmaking into six program areas:

1. Arts and Culture
2. Detroit
3. Education
4. Environment
5. Health
6. Human Services

Apart from its Detroit portfolio, Kresge's grantmaking programs award grants and make social investments throughout the United States. Its education strategy has particular interest in higher education in South Africa. Grantmaking in South Africa followed a board-led, and later grantee-influenced, effort to add global antennae to Kresge's domestic programming. The foundation's South African program has evolved from investments in higher education capital projects to a global exchange on efforts to increase college access and achievement.

By portfolio, Kresge Foundation grants represent significant financial investments across diverse program areas, but with a consistent commitment to influencing the

systems affecting the lives of marginalized and vulnerable populations.

Working in tandem, Kresge's program areas pursue these goals:

- Creating access and opportunity in underserved communities.
- Improving the health of low-income people.
- Promoting arts and culture in community revitalization.
- Increasing college achievement.
- Assisting in the revitalization of Detroit.
- Addressing the consequences and causes of climate change.¹⁷

The following statement of values adds context and depth to Kresge's decision-making and ultimate vision:

"We work to create opportunity, have community impact, foster institutional transformation and promote stewardship of the environment. We practice calculated risk taking, a commitment to innovation and collaboration and a belief in the intrinsic benefits of diversity. We are fulfilling our mission to promote human progress by helping improve the lives of poor and low-income children and adults and underserved urban and rural communities."¹⁸

Stakeholders and partners experience Kresge's values and vision similarly, with this remark proving representative:

"One thing I really liked that [Kresge] said: They are comfortable taking a certain amount of risk. They realize they're in new territory, [that] there's no guide for resiliency [as an environmental outcome]. They appreciate

experimentation. ... We feel like we will be along with them as they pivot and change."

Displaying a high level of transparency, Kresge Foundation strategies are informed by its history, a highly skilled staff and external research and expertise. The foundation draws strategic inspiration from in-depth and interdisciplinary study of sectors and issues that affect communities. The Kresge Foundation's size, assets and grantmaking footprint afford it access to and potential partnerships with thought leaders, collaborators and issue experts. Few local, community-based foundations have the access or know-how to tap into these resources; in this way, as noted by several grantee stakeholders, Kresge offers Detroit and the other cities in which it makes grants significant intellectual as well as financial gifts.

Indeed, it can be illuminating when assessing or seeking funding from a foundation to understand the sources tapped to develop a theory of change and associated strategies. In this regard, Kresge offers a commendable level of transparency in its program descriptions. Again, an overall commitment to "community impact ... institutional transformation and ... stewardship of the environment"¹⁹ drives Kresge's strategy and informs grantees and potential grantees about foundation objectives. One grantee interviewed for this report noted the alignment between its own and Kresge's strategy:

"When I try to help folks understand that community development is at the heart of [our] work, I always quote Kresge. If you're talking about doing a project to a community, that's a leading indicator that something is wrong with your project. The notion of doing things by communities, with communities or supporting communities to do things themselves is the sweet spot for Kresge."

In Kresge's 2013 annual report, Rapson describes a "whole" foundation greater than the sum of its parts. His letter details how the foundation was able to move beyond the more transactional nature of challenge grants to become more capable of influencing complex systems and stubborn social issues:

"Taken together, these distinct program strategies combine into a larger whole with multidimensional impacts – not unlike how different elements of the periodic table, when combined, can form molecules with distinct and complex properties. ... Program areas interweave and interact to create a larger identity and impact. Let me suggest three ways in which that plays out:

1. First, we recognize that each of our program areas is inextricably intertwined with the others.
2. Second, and in a similar vein, each programmatic strategy is invariably shaped by the intersecting and complementary roles of the private, public, nonprofit and philanthropic sectors.
3. Third, our programs increasingly try to assess the full dimensions of a challenge before reaching for the appropriate tool."²⁰

For its arts and culture portfolio, Kresge's strategy is informed, as in all its work, by a commitment to community and place. A founding partner in ArtPlace America, a 10-year funder collaborative founded in 2011 that promotes arts and culture as a core strategy to strengthen communities, the national collaborative's language and intent mirrors Kresge's own portfolio. First, Kresge's goals:

"We seek to make arts and culture as central to discus-

sions of rebuilding and reinvigorating metropolitan areas as land use, housing, transportation, economic development and other more traditional disciplines. At Kresge, we use the term creative placemaking to refer simply to the deliberate integration of arts and culture in revitalization work; our grantmaking and investments focus on interdisciplinary approaches to the broad field of community revitalization."²¹

And, then, a description of ArtPlace America:²²

"ArtPlace focuses its work on creative placemaking ... This brings artists, arts organizations and artistic activity into the suite of placemaking strategies pioneered by Jane Jacobs and her colleagues, who believed that community development must be locally informed, human-centric and holistic. In practice, this means having arts and culture represented alongside sectors like housing and transportation – with each sector recognized as part of any healthy community; as requiring planning and investment from its community; and as having a responsibility to contribute to its community's overall future."²³

Similarly, a commitment to place motivates Kresge's environmental program. By focusing on the disproportionate impacts of climate change on vulnerable, low-income communities, Kresge exemplifies the cross-sector and cross-disciplinary cooperation necessitated by the climate change crisis. This emphasis on climate resilience places Kresge at the intersection of environmental science, economic development, urban planning and social justice. A knowledgeable stakeholder observed:

"The Kresge Foundation's approach to addressing climate change impacts in cities, to improve outcomes for

low-income residents in cities, and the scale of its investments, is unparalleled in philanthropy. No other foundations of Kresge's size are investing in civic capacity and climate resilience. Kresge is not only committed to partnership with communities but developed this initiative in deep dialogue with groups around the country."

2. Ambitious and bold, the Kresge Foundation embraces complexity by deploying multiple philanthropic tools to achieve its vision.

Kresge's tools include collaboration, convening, thought leadership, field-building and advocacy. Rip Rapson has described "building into each programmatic portfolio an analysis of what forms of capital – grants to be sure, but also loans, direct investments, pay-for-performance instruments, loan guarantees and other tools – are best suited to the issue at hand."²⁴

For example, ArtPlace America is one of several collaborations upon which Kresge relies to inform and pursue strategy. Across all its programs, the foundation's frequent practice of convening grantees and stakeholders stands out as an effective and appreciated tool:

"They brought together all of the other grantees. We have learned from Kresge, but we have learned from everybody else too. Kresge wants to cure everyone. They applaud my big vision but they have a way of helping us stay focused: 'Do it right and do it well, then expand by adding more people.' ... [Kresge] was helpful in realigning us to the vision. We were one of the programs they highlighted for best practices so other grantees could learn. We created ... learning opportunities so other grantees could learn from what we did, but also so we could use it when the Kresge grant ended and to go to

other funders and highlight the success of the program and why it needs to continue."

Kresge is at the forefront of program-related investing, building on influences such as the Nonprofit Finance Fund²⁵ and insight into nonprofit capitalization earned during the Kresge challenge grants era. Program-related investments (PRIs) "are investments made by foundations to support charitable activities that involve the potential return of capital within an established time frame."²⁶ In 2014, Kresge's program-related investments totaled \$20.4 million. Captured under the heading of Social Investments, Kresge has issued PRIs to organizations across its issue and geographic interests, often alongside national philanthropic and for-profit financial partners such as Robert Wood Johnson Foundation, the Advisory Board Co., MacArthur Foundation, Goldman Sachs and Morgan Stanley. Among its highlighted social investments are affordable housing, community loan funds and technology or service-based solutions to increase access to health.²⁷

The Kresge Foundation has grown its impact investing portfolio over the last several years. Notably, the foundation used PRIs after the 2008 recession to help 14 social service organizations around the country increase their capacity to serve rising numbers of individual and families in need. In addition to this responsive use of assets, Kresge makes strategic investments annually to support the goals of its seven program areas, particularly for the provision of health services and human services. As this report went to press, Kresge announced it would make \$350 million in program investments by 2020, representing 10 percent of its 2015 assets.²⁸

Beyond social investments, the Kresge Foundation pursues traditional grantmaking but with an emphasis on longer

term, multi-year and operating grants. In 2014, Kresge awarded 408 grants totaling \$142.5 million. Of these grants, 298 represented explicit multi-year commitments. Kresge also leverages its reputation to advance its causes. Twenty-one of 25 stakeholders responded positively when asked: To what degree do you see the foundation exercising leadership on the issues that are central to its mission? How much does it work with other sectors of society? The following responses from two different grantees are representative:

“They are, in terms of national giving, doing 100 percent of that; they are very influential, trendsetters, really committed into leveraging funds for the arts and they are big picture thinkers. [They’re really great at] modeling value of arts in local communities, not just funding major downtown arts institutions. In that sense, they are taking a leadership role, leveraging funds with other sectors.”

“Kresge is the big dog in town ... It draws attention to the programs they are supporting. Hopefully, that attracts other investors. And it will help affect public policy. ... It forces the city into having to respond. The advantage is that you are using that public profile as an actual bully pulpit. I applaud the effect that some of that has had.”

Kresge applies lessons from its nationwide, issue-focused program areas, deploying similar tools of thought leadership and convening, to its Detroit program:

“Our national community development focus is on replicable, innovative models and exemplary financial vehicles for equitable reinvestment. Our team connects these two strands of work to create opportunities for shared learning between Detroit and the national urban-redevelopment community.”²⁹

Yet, in Detroit, stakeholders reported a less productive relationship with Kresge. They noted that Kresge worked less well, often not at all, with particular institutions – neighborhood community development groups, local foundations and government-funded public health agencies. By avoiding these organizations, stakeholders felt that Kresge considered certain institutions inept or unworthy of partnership:

“I never found Kresge, even as they shifted strategy, interested in our efforts to reform public health. They were interested in community health clinics but not in government agencies committed to many of the same goals. This surprised me because this was a natural partnership – and partnerships seem to be so important to Kresge. I will say that folks at Kresge have a lack of appreciation or respect, even hostility, toward government. ... What they don’t realize is the power government has to make a difference in people’s lives. Government is not the only tool to improve public health and achieve a more just and equitable society, but it sure can stand in the way if it enacts the wrong policies. I’ve seen how government can nurture and incentivize and help make a statement about the public’s expectations and aspirations. It has to be part of the conversation.”

Stakeholders understood that government and other established institutions may not be aligned and ready for partnership, but believed Kresge could and should influence, rather than ignore, these institutions. Strategies and goals, it seems, face as much judgment for what is not chosen as for what is.

Another concern that arose from grantees was, in fact, more compliment than critique – whether the foundation would be able to continue its ambitious strategies. For example, environmental stakeholders praised the foundation

for establishing new strategic terrain in the area of climate adaptation and resilience but wondered whether the foundation would have the patience to stay the course. More often, grantees marveled at the diversity and complexity of Kresge's goals. A few stakeholders questioned whether Kresge could continue to make progress in all its program areas deploying such diverse tools. Grantees wondered whether a narrowing of focus and tools or an investment in staffing would help the foundation to meet its laudable goals of systemic transformation. For example, one grantee affirmed Kresge's commitment to changing systems, but noted how difficult the reality of this approach can be:

"[The strategy] is a positive and negative for Kresge – they are very, very broad in the kinds of things they support. They support everything, from early child development, to green building, etc. Other foundations only work in three areas where the Kresge Foundation works in everything. ... They are literally in everything. We appreciate it, but sometimes the rest of the community doesn't understand how interwoven they are, how they are 'in' just about everything. So, for people who do not have a relationship with them it is hard to understand when Kresge says no. If they say no to me, I have enough contact that I see why they can't do it. I do not take it personally but if you do not have a relationship with them, and they say no, you can make up all kinds of stories in your head of why. ... Sometimes it hurts the [perception] of Kresge. Since they are so broad, sometimes people feel entitled to their money."

OUTCOMES AND IMPACT

3. Maintaining a relentless pace since its 2006 strategic shift, the Kresge Foundation's tolerance for risk has put it on a path toward achieving significant impact in underserved communities.

One commitment ties all Kresge's grantmaking, social investments and nonmonetary tools together: to support marginalized communities and vulnerable populations. Because Kresge's strategies are long-term and systemic, most stakeholders believe it is too soon and too challenging, given Kresge's range of issues and goals, to assess impact. As one peer funder noted:

"One of the challenges they face is how big their vision is. It's inclusive of the environment, arts, education, transit, planning, local government policy ... where they make big bets, such as [the M-1 Rail Streetcar project in Detroit], they follow through and can be very effective. [Kresge has] been very effective in leveraging other resources, bringing the federal government and other large funders in. On those big bets, they can be very effective. On the whole breadth of what they're working on, even as they've grown their team, it just feels like they're very stretched across a lot of issues. I know I personally am thankful that I don't have to cover the number of issues that they cover, because I can't imagine how you do that effectively and responsively."

Nevertheless, stakeholders named several signs of progress and promise:

- Strengthening capacity of low-income and minority-serving educational institutions.
- Creating the Carbon Neutral Cities Alliance.
- Increasing capacity of antipoverty networks to advocate.
- Improving student success in college math.
- Fostering cross-sector collaboratives to address health disparities.

In Kresge's 2014 GPR and during interviews conducted for this report, most grantees were effusive regarding Kresge's

positive impact. The following comments are representative of education grantees:

“Their support has absolutely made a difference. It’d be great to have a conversation with them to talk about how they’re taking a risk on an unknown, and taking a risk because we asked them to take it with us. ... It’s a big deal.”

“The impact they have had is far-reaching and survived the expenditure of the investment. Hats off to them for being visionary in that regard. I would give them an A+. They are an example of strategic philanthropy at its best.”

A grantee of Kresge’s environmental program gushed:

“Pretty amazing. ... [Kresge] helped spur innovation at the city level [through the] Carbon Neutral Cities Alliance, which I think will create transformative change at a global level. They’ve been really instrumental in launching this alliance and I think that needs to be highlighted

somewhere. ... Each phase, they’ve been one of the key supporters of this work and without them, it’s not going to happen. ... a lot of other funders have come into that space ... but they’re still a major player and voice.”

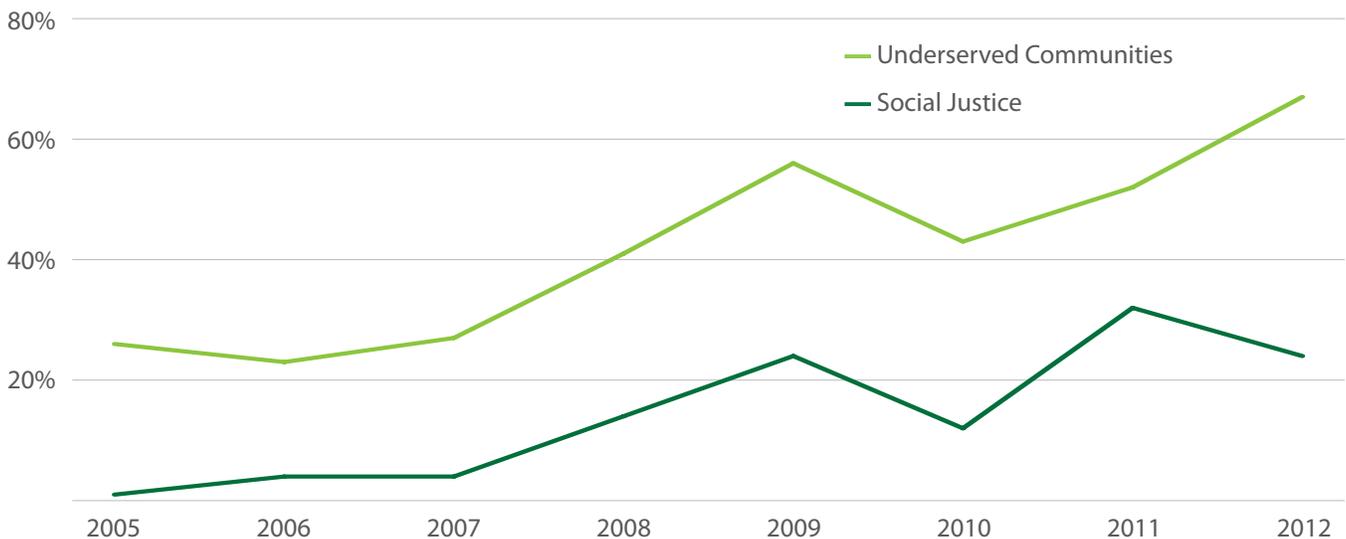
From a health grantee:

“Based on what we’ve been able to do in [our city], the impact has been significant. Kresge wants replicable models that can be spread across the country and have an impact. They are so strategic with the implementation of Affordable Care Act. They led their own surveys to interviews organizations like ours to understand the impact and realign their roles.”

Data self-reported to the Foundation Center indicates a steady increase in support and a strategic emphasis on marginalized populations and social justice goals. The table below suggests increasing alignment between Kresge’s stated commitments and its financial allocations.

Chart 2: Allocation of Grants for Social Justice and Underserved Communities (2005–2012)*

Shown as a percentage of grant dollars



*Self-reported to Foundation Center

In 2012, Foundation Center data placed the Kresge Foundation among the top 25 of America's 100 largest foundations consistently supporting marginalized communities and social justice.

Kresge brings creative grantmaking and diverse tools to efforts, in Rip Rapson's words, "to advance low-income opportunity."³⁰ For example, the environmental program's focus on environmental justice³¹ and the impact of climate change³² on vulnerable communities exemplify an understanding of and commitment to social justice. One grantee offered this assessment of Kresge's contributions:

"They have reached out to groups that have a very strong social justice analysis and a transformational analysis and aim around systems change analysis. For them to have engaged so deeply with this set of folks is a unique strength. In order for us to have true resilience and movement on climate change, we need to change the system, and that's relatively radical. Especially for a foundation of that size, it is a pretty big deal."

Community development grantees concurred, with one grantee describing Kresge's commitment to underserved communities, in both the planning and implementation stages:

"This is a strength of Kresge's: they ask us to think about these questions: How do you engage residents into the process in a meaningful way so that they feel empowered and have some sense of leadership? How do you then help those same residents feel a sense of belonging so they don't feel like 'my neighborhood has changed and I don't belong here anymore'? How do you go into this neighborhood that is very distressed and doesn't have upward trends and think (in the front-end), 'how do we

help them stay in place? How do seniors age in place? How do you avoid pricing out existing residents? How do you help the existing business owners not be priced out?' Those are the frameworks put in place when we applied for the grant. I appreciated that because not only do we agree with those principles, but you don't always think about those things on the front end; you think about those things after you've already gotten started."

Similarly, Kresge's education program focuses on "expanding student access to higher education and opening avenues to academic success, particularly for those excluded historically: low-income, first-generation, African American, Latino, Asian American and Pacific Islander, and Native American students."³³ While emphasizing the most vulnerable populations based on demographic trends and data, Kresge carries forward a decades-long interest in institutions. Kresge asks how institutions can "build the capacity of institutions whose primary missions are to serve low-income, underrepresented, underprepared and first-generation college students. Those institutions include community colleges and minority-serving and Title III and Title V³⁴ schools."³⁵ Kresge also supports a wide range of umbrella organizations and associations established to advocate for public policies aimed at strengthening these institutions.

Larger institutions capable of serving underrepresented communities and influencing public policy occupy a strategic niche for each of Kresge's programs. Kresge's description of its human services program highlights this function:

"Human services organizations play a key role by providing access to timely services, benefits and opportunities. We focus on organizational effectiveness, resilience and commitment to excellence to enhance the services provided to those attempting to escape poverty. We seek to

foster innovation and advance efforts that provide models of evidence-based approaches. We support umbrella organizations and networks striving to reinvent the sector in ways that increase effectiveness and ultimately improve the quality of life and economic security of low-income individuals and families.”³⁶

Forthright and outspoken, Kresge addresses disparities and encourages advocacy on behalf of improved outcomes for low-income communities. The breadth and size of Kresge’s grants to advocacy and its willingness to participate in, and even drive, public debate about education, the environment and health represent a commitment to deploy the full range of advocacy tools legally at its disposal.

Within its health program, in fact, a review of state policies regarding exposure to health risks by children in child care settings offers a glimpse into Kresge’s data-focused and policy-driven approach to health.³⁷ Kresge’s strategy reinforces the role of public policy in incentivizing health, wellness, environmental stewardship and educational attainment. One grantee urged the foundation to bring an even stronger commitment to advocacy to all its programs:

“They can do more of [tying] an advocacy frame to everything they do. ... We could’ve done more systems change work through education and advocacy. I think they need to hardwire that into everything they do and fund. ... Kresge is one of last few funders in this human services space [and] looking at it not just through proliferation of services and difference making in people’s lives and larger community’s society, but [Kresge] could be doing more to make us more accountable for the influence, advocacy, systems change work and education work around their grants.”

Feedback like this suggests that Kresge is on the right path with its emphasis on systems and the role of advocacy in achieving systemic change. Grantees are asking for more, not less.

Among both national and local peers, Kresge stands out for its risk-taking partly because the foundation frequently tells this story³⁸ and partly because such risk-taking is so rare.³⁹ Perhaps nowhere is Kresge’s tolerance for risk more evident – and the outcome more well-known – than in Kresge’s participation and \$100 million contribution to Detroit’s “grand bargain,” a plan that started as an initiative to save the collections of the Detroit Institute of Art (DIA) from being auctioned off to cover Detroit’s debt, but grew into much more. (See “grand bargain” sidebar on p. 23). Kresge joined a group of Detroit and national foundations, each stepping into uncharted territory; the grand bargain represented an unprecedented level of creativity and responsiveness for Detroit’s philanthropic community.

When announced in early July 2014, Rick Cohen of the Nonprofit Quarterly described the grand bargain this way:

“What’s happening in Detroit this week might be the most momentous confluence of events affecting nonprofits and foundations in years, even decades. With the ‘grand bargain’ likely to go through, having already received the state’s commitment to the plan to funnel capital to the underfunded pension funds through the mechanism of saving and converting the Detroit Institute of Arts and almost assuredly to get a positive vote from the city’s pensioners, the foundations and the state now face the challenge of mechanics. ... All told, this is an absolutely unprecedented series of foundation commitments from the foundation community, stretching the boundaries of what foundations might have ever

PHILANTHROPY'S "GRAND BARGAIN" TO PRESERVE DETROIT'S ART AND PUBLIC EMPLOYEE PENSIONS

The city of Detroit, Michigan, filed for Chapter 9 bankruptcy on July 18, 2013, the largest municipal bankruptcy filing in United States history. After a two-month trial, U.S. Bankruptcy Court Judge Steven Rhodes approved a plan on November 7, 2014, to fix decades of financial decline and bring Detroit out of bankruptcy. The so-called "grand bargain" will raise more than \$800 million from foundations, the Detroit Institute of Arts (DIA), private donors and the state of Michigan.⁴⁰ The grand bargain will reduce the city's debt by \$7 billion, save the DIA from having to auction off its art, earmark \$1.7 billion to maintain the city's essential services like police and fire protection, and minimize pension cuts to public sector retirees by 4.5 percent.⁴¹

Part of the reason the grand bargain was created was to protect the DIA from having to auction off its art. Foundations and others saw the importance of preserving the city's historical art pieces and agreed to make contributions to the grand bargain that would aim at reducing public employee pension cuts if the DIA would be saved. In fact, Kresge Foundation CEO Rip Rapson testified during the Detroit bankruptcy trials that the DIA is significant to Detroit's history and future. Rapson called the DIA "a cultural asset the city can't afford to lose or have diminished."⁴² The DIA also agreed to contribute \$100 million to the grand bargain and it will become an independent charitable trust, like most large American museums, instead of being owned by the city of Detroit. Thanks to generous private donations and roughly \$70 million granted from foundations, the DIA announced it had reached its \$100 million goal on January 5, 2015.⁴³

The grand bargain will help Detroit out of bankruptcy by creating a new entity, called the Foundation for Detroit's Future, which is governed by a five-member board of directors. The board includes Mariam Noland, president of the Community Foundation of Southeast Michigan; James B. Nicholson, president and CEO of PVS Chemicals Inc.; Allan D. Gilmour, former president of Wayne State University; Robert J. Manilla, CIO at Kresge Foundation; and Kenneth T. Monteiro, general counsel of the Ford Foundation.⁴⁴ Money from foundations, private donors and the state of Michigan will go through The Foundation for Detroit's Future and the foundation will then funnel the money to the city.

The first grand bargain payment of \$23.3 million dollars was paid to two retirement funds the week of December 11, 2014. The two pension systems the Foundation for Detroit's Future will be contributing to are the General Retirement System and the Police and Fire Retirement Systems. A total of 20 payments are to be made to the City of Detroit from the Foundation for Detroit's Future. The first payment included \$18.3 million from foundations and \$5 million from the DIA. As of December 2014, the city's pension fund was 88.9 percent funded. This equated to a market value of approximately \$3.1 billion.⁴⁵ Twelve foundations committed a total of \$366 million over 20 years to the grand bargain. The contributions made by foundations are listed below.⁴⁶ ■

Foundation	Amount Contributed
Ford Foundation	\$125 million
Kresge Foundation	\$100 million
W.K. Kellogg Foundation	\$40 million
John S. and James L. Knight Foundation	\$30 million
William Davidson Foundation	\$25 million
Community Foundation for Southeast Michigan	\$10 million
Charles Stewart Mott Foundation	\$10 million
Fred A. and Barbara M. Erb Family Foundation	\$10 million
Hudson-Webber Foundation	\$10 million
McGregor Fund	\$6 million
A. Paul and Carol C. Schapp Foundation	\$5 million
Max M. and Marjorie S. Fisher Foundation	\$2.5 million

Note: The Skillman Foundation agreed to contribute \$3.5 million that will help alleviate retirees' health cuts but its contribution is not pooled together with the other contributions in the Foundation for Detroit's Future.⁴⁷

considered doing anywhere. It may 'save' the DIA, and it will certainly generate a substantial sum toward helping write down the cost of the huge amounts owed to pensioners. Those might be absolutely necessary steps for the DIA and the pension funds, but the ultimate measure of success is going to be whether they help save not only the multi-billion dollar art collection, but help save Detroit as well."⁴⁸

Kresge and its philanthropic and corporate partners ultimately contributed more than \$350 million to the \$800 million grand bargain. In a *Chronicle of Philanthropy* opinion piece, four of the contributing foundation presidents, including Rip Rapson, distinguished this "calculated risk" with philanthropy's more traditional role:

"Our support also aims to accomplish something even larger: helping a great city get back on its feet quickly and on course toward a better future. This new investment, above and beyond our existing grantmaking in the region, represents our desire to seize a rare opportunity and play a constructive role in the revitalization of Detroit. We see a one-of-a-kind chance to make an investment that is true to all of our values and our giving priorities and that embodies the kind of flexible, creative and transformative philanthropy we believe in. ... It does not mark the start of philanthropy as a solution to public insolvency. This is a unique, clear-eyed move to push forward positive negotiations, with our philanthropic dollars being exclusively pegged for two roles: safeguarding the DIA and protecting pensions."⁴⁹

Critics were not convinced and instead suggested a profound shift, even contradiction, in the stated role of philanthropy and the grand bargain's "plutocratic" precedent, if not intentions:

"But at a moment of highly public drama in Detroit, the foundations are flexing their political muscles to the limit. They are not just lobbying for, they rather are making their grants contingent upon, certain outcomes, from elected and appointed public officials as well as private groups. ... One way or the other, though, it is difficult to escape the impression that conditional grantmaking on such a grand scale amounts to philanthropic coercion rather than generosity."⁵⁰

Despite these concerns, the majority of grantees and stakeholders interviewed for this report – many of whom were directly affected by the grand bargain – recognize Kresge's contribution of \$100 million and what was described as "quiet diplomacy" as an obvious example of Kresge's positive impact. With the collections of the Detroit Institute of Art in most immediate peril, the impact of the grand bargain on DIA is clear. A piece in the *Nonprofit Quarterly* described a temporary exhibition at DIA that attracted record crowds. It quoted attendee *Forbes* contributor Micheline Maynard:

"The crowd at 'Diego and Frida' was as diverse as any museum director could hope. While standing in line, I chatted with Latinos who traveled from Chicago to see the exhibit, as well as African American city dwellers. There were wealthy looking patrons in button-downs with sweaters tied around their shoulders, and kids in sneakers and shorts."

The piece also notes Maynard's observance that the many new restaurants and bars in the nearby Corktown neighborhood seemed to benefit from the crowds at DIA.⁵¹

Beyond its immediate impact, the grand bargain was cited as evidence of Kresge's ongoing willingness to leverage

its dollars in ways that are consistent with its mission and goals and to work within the ecosystem of actors to collaborate strategically. For example:

“Moving leadership on the bailout, and pulling other foundations together, it’s well-known that Kresge is a leader in Detroit. They get results.”

“Yes, with the crisis in bankruptcy, city hall – we had a dearth of leadership here – and philanthropy and Kresge stepped in and helped the city – wrote (a) big check ... a force to be reckoned with. [Kresge has] been through the dark times with us.”

“[Kresge’s] strengths are they invest in the projects themselves – which everyone does – and then look at the infrastructure that supports these people, the multiple areas of infrastructure that support community development. They just did a big program with [another national funder] – really cool – to invest in community development finance institutions. ... That was thrilling to us. Those are really important institutions ... but they [often] aren’t steered towards our constituency. ... This is an important step and really interesting and will produce interesting things for the field that we’ll all learn from. I admire Kresge a lot.”

Kresge’s programs and strategies benefit from participation in funding collaboratives and cross-sector partnerships, achieving what the social sector calls “collective impact.”⁵² Many of Kresge’s grantees appreciate this virtuous cycle of learning and feedback:

“Kresge understands the needs of folks on the ground – accelerating place-based innovation, building climate resilience field and building social cohesion within that.

What’s impressive with Kresge, it seems for the most part they do understand what the needs are on the ground. ... National organizations aren’t always privy to what’s happening on the ground, but it seems Kresge is.”

In terms of organizational learning, Kresge’s commitment is genuine and productive. Interviewees for this report and grantees surveyed for the 2014 GPR concur that the foundation learns from and engages with diverse stakeholders, and makes changes based upon strategic insights offered by partners and grantees. In supporting advocacy and public policy to improve the lives of vulnerable individuals and families, the foundation has deployed a keen understanding of the public sector to advance its mission.

In both its education and environment programs, the Kresge Foundation has been invited to inform and participate in White House summits on higher education⁵³ and climate change.⁵⁴ The influence of Kresge’s efforts to address the disproportionate impact of climate change on vulnerable communities was particularly evident in a National Resource Defense Council (NRDC) staff blog post describing an event in which Kresge took part:

“It’s sometimes hard to understand how fighting the negative effects of climate change relate to the economic success of America, including its most vulnerable citizens. We talk a lot about this at Urban Solutions, and it was articulated extremely well today by President Obama’s top budget expert. In a presentation in Washington on ‘Building Climate Resilience for Equitable Communities,’ OMB [Office of Management and Budget] Director Shaun Donovan said he sees action on climate change as not just the defining environmental challenge of our time, but as a way to grow the economy and allow for everyone to share in

the growth, 'including and especially those who have historically been left behind.'"⁵⁵

The design of the White House event, the substance of the OMB director's remarks and the points articulated and advocated by NRDC show strong alignment with Kresge's environmental strategy. Kresge's relationships influence national leadership and policy debates. The foundation has been successful in bringing resilience and vulnerable communities into the center of climate change and economic development conversations.

Pushing the limits of what is possible or has already been tried puts Kresge and its grantees at the forefront of innovation. One environmental grantee captured the challenge that Kresge and its partners face when working at the "leading edge" of an issue:

"Not that I don't think that [our work] needs to happen; I believe in it, but I think it's also that Kresge doesn't have enough resources to fully fund what they're asking of us. And we don't have enough resources either... [so] it takes more than what they're able to put forward to do real community engagement. It's not that Kresge has to come in and support 100 percent of what's happening ... but I think one of the weaknesses is that [this Kresge program strategy] is on the forefront and [because it is] really innovative ... Kresge is kind of out there by themselves. There is not a lot of complementary funding to be able to complete the picture. So, we're in a little bit of a tough position in that way."

Kresge's ambitions run the risk of falling short by overestimating its own and others' capacity. In the best case, Kresge and its grantees share this risk together and focus on incremental progress to attract and engage additional

funders. In the worst case, grantees can be crushed beneath unrealistic goals or left behind when funders move on to the next bold strategy. Rather than withdraw from these boundary-pushing initiatives, stakeholders encourage Kresge to assess and balance its own role, resources and capacity even as it urges grantees to achieve significant and thrilling outcomes.

4. The foundation often excels at strategic risk-taking and public leadership, but sometimes – particularly in Detroit – struggles to balance its tolerance for risk with a need for control.

Kresge's programs exhibit diverse perspectives and expertise, informed by its many partnerships with other foundations, consultants, academic researchers and for-profit entities. Nevertheless, some national stakeholders, in working with Kresge on joint convenings, found Kresge to be too heavily invested in controlling the agenda, dialogue and outcomes. One stakeholder perceived that Kresge's staff faced internal pressure to manage all risk and achieve Kresge-approved outcomes, undermining partners' collaborative and learning aspirations.

The phenomenon seems to occur more frequently in Kresge's Detroit programming. Obviously, Kresge has played a central role in Detroit, most notably as the largest (by percentage of assets) donor to the grand bargain, but also in the creation and implementation of the Detroit Future City framework and spurring the M1 light rail development.⁵⁶ Where Kresge is praised by many partners and grantees for its commitment to learning, Detroit stakeholders tended to be more critical and more frustrated with a top-down approach:

"Sometimes, they have an 'I know better than you' kind of attitude. So, that affects how effective they are. There

is a perception of [Kresge] being elite and untouchable, maybe that's not the intent, but that's the perception. ... I would pull them out of the suburbs and ... into the Detroit neighborhoods. [Kresge] needs to interact with the street people, the homeless, the prostitutes here in the neighborhood. When you are working in a suburban office, and living in a suburb, you are not really seeing Detroit. Yet, you are sort of trying to influence and saying you know best about Detroit. There is no credibility there."

Local stakeholders acknowledge that Detroit has been a volatile environment in which to work over the last few decades. Most suggested that Kresge has the right intentions and even a sound analysis of the city's challenges, but seemed to get too involved in the implementation of initiatives:

"I know that's in their backyard and they feel like they're expected to have a positive impact, and there's clearly some controversy there about how a foundation is actually using its power to support a certain agenda that is not shared. It seems to contradict this community engagement vision and solutions coming from the community; it seems to be a much more top-down imposed set of solutions that are not as widely supported across the city."

Detroit stakeholders also suggested that Kresge can be too eager to look outside Detroit for innovative ideas. Grantees believed that Kresge would rather take a "clean slate" or direct implementation role with its Detroit strategy. The perception that Kresge had overstepped its role or acted in isolation was held by numerous Detroit stakeholders:

"They do such a good job of worrying about the big gaps, big systems in the city – but they do such a poor job of following through on the implementation. If they left, things would be worse, but it is not clear that they

are really making things better. ... Kresge can help with money and research but it is failing at being an implementer. That is endemic in Detroit among funders."

To another grantee, Kresge's involvement in Detroit Future City offers support for this perception:

"Kresge funds Detroit Future City. ... The first planning process was put in the mayor's office and it was a disaster so Kresge took it away. ... [Kresge] recognize[s] the importance of systemic change and ... the Detroit Future City concept and plan is amazing and very forward thinking, but the implementation and leadership and [determining] how smaller neighborhood groups will fit in, that is pretty much a disaster. It is difficult to say who is a part of Detroit Future City – in this iteration number three. The reality is: there is no accountability for Detroit Future City other than Kresge, and when Kresge sees things not going well, it steps in [and changes the leader] and reinforces the idea that Kresge and Detroit Future City are one and the same."

In another context, Kresge might be praised for taking decisive action when a project seemed to be going off course, but in Detroit it has been perceived by some as controlling and disrespectful. Another stakeholder trusts and appreciates Kresge's willingness to climb out on that limb:

"When Kresge speaks, everyone listens. Rip Rapson has been very intentional and has taken a lot of risk. For him to take some risk and put himself out there ... I feel like he's risking being burned for the right reasons, and he is motivated by the improvement of the city."

As any "embedded funder"⁵⁷ will attest, long-term community-based grantmaking can be fraught with missed

cues, missteps and misconceptions. The tools and roles that work well in one setting can be ill-suited to challenges facing another geographic and cultural environment. While a multicity strategy with multiple partners and stakeholders necessarily relies on consensus and patience, local grantmaking is much more likely to be relationship-centric and politicized. As one place-based funder working in the South has remarked, “My feedback loop is a walk down Main Street.” In light of the intense political and economic crisis Detroit has faced, it is hardly surprising that Kresge finds its most vocal critics in its own backyard.

Philanthropy’s greatest asset is its immunity from short-term grievances; indeed, Kresge does seem to be “spending down” this asset. Overall, Kresge is achieving perhaps even greater impact in Detroit than in its other issue-focused programs. Over time, Kresge is betting that strategic impact will earn the trust and positive perceptions lacking today. Nevertheless, few foundations would celebrate this grantee’s testimonial:

“[Kresge] is losing good partners that could be doing good groundwork because the good partners don’t want to get burned. ... When one funder is telling you how to behave and another is trying to gain trust, you create a tough space for grantees. Most funders ... just stop working with Kresge. Grantees can’t do that.”

A few tweaks in practice and in communications could help to improve local relationships and perceptions. For example, while Kresge’s six other program areas offer resources (articles, reports, data) derived from both Kresge and non-Kresge contributors, its Detroit program’s “library” includes only Kresge-written and funded resources. It is a small, yet consistent, reminder of Kresge’s outsized role within its local ecosystem. Beyond this, there is a percep-

tion that Kresge’s Detroit grantmaking remains siloed. One grantee recalled being informed that, because the organization was in Detroit, the program would be eligible only for support from the Detroit portfolio – regardless of whether his project aligned with other issue-focused programs. Another Detroit stakeholder urges Kresge to simply invite more Detroit voices into its strategy:

“One of the values of grantmakers is sharing knowledge and bringing grantees together to benefit from each other. And I think the new Detroit plan, which Kresge is the primary author of, could function to help address [Kresge’s] issues of communication and accessibility. If it could simply bring people together to discuss its Detroit portfolio, that would be a good start.”

Interviews with Kresge’s staff indicate that Kresge has heard and is responding to this criticism. Noting key “lessons learned,” program staff described how Kresge is seeking to work more intentionally with local neighborhoods:

“We are learning to blend technical expertise and knowledge with the direct involvement of people who live in communities, every day. Before, we were just missing the mark by offering too much technical expertise, but not enough local knowledge or too much local knowledge with too little technical expertise. You need both. When we get the right mix, that is the sweet spot. When everyone comes together and learns together, we arrive at recommendations together. ... The foundation can do only so much. And there is a built-in power imbalance. If the local community doesn’t respect us or thinks we don’t respect them, it will not work.”

This long-time Detroit stakeholder reported noticing the change:

“They are really trying to become more neighborhood-friendly. In the past, they’ve been kind of snooty and snobbish. But, I feel like Rip Rapson is trying to be a bit more Detroit focused, trying to really be a bit more grounded: a little friendlier, a bit more out there in sponsoring public functions. You don’t always see that in philanthropy.”

Most recently, it invested in neighborhood-led initiatives through Kresge Innovation Projects: Detroit (KIP:D). Last April, Rip Rapson described the three-year, \$5 million investment in KIP:D this way:

“Projects had to take place within the city limits and be led by a Detroit-based nonprofit organization. We asked applicants to pay particular attention to ... the Detroit Future City framework. ... We sought projects that used inclusive, collaborative processes. And, we looked for projects that extended benefits to a broad set of stakeholders and community residents. ... We knew great ideas were percolating all across the city, but the response to the call exceeded our expectations. By December, we received 107 grant applications. Some of the projects ... will sound familiar because the organization has been chipping away at their master plan for years, permit by permit, inch by inch, dollar by dollar. And others were just getting underway last fall when this initiative launched. Regardless of their maturity, these projects deserve their day in the sun.”⁵⁸

Today, Kresge is poised to amplify the work of community-based organizations and voices from underrepresented populations while also addressing its own internal structural and strategic limitations. Authentic partnerships with community-based organizations that share a commitment to racial and economic justice would enrich

Kresge’s pursuit of equity. KIP:D may be a huge step in the right direction.

With Detroit Future City,⁵⁹ too, Kresge has an opportunity to express its values more purposefully by signaling a willingness to trust the implementation of this strong and salient plan to others. As Kresge staff admitted: “Planning and implementation are not the same thing, and do not use the same skills. And that’s why we are revisiting it now.” Again and again, the way the foundation works with Detroit’s grantees and other stakeholders is criticized more often than the programs that Kresge funds, the strategies it pursues or the risks it takes. Stakeholders believe Kresge wants to and can do better. It would benefit Kresge to step back and allow its grantees to try, learn and try again. In return, grantees are likely to grant similar trust and credibility back to Kresge, allowing for even deeper collaboration and enduring impact.

5. While the foundation is openly committed to fostering economic opportunity in low-income communities, it does not always explicitly use a racial equity lens, weakening its strategic commitment to opportunity.

Discrete grants within each of Kresge’s programs emphasize social equity goals and benefit systemically disadvantaged populations, including racial and ethnic minorities. Both Kresge’s arts and culture and its environment programs exhibit equity as integral to strategy and outcomes. Environmental justice, including the disproportionate impacts of climate change on low-income communities, is at the core of Kresge’s environmental program. Kresge’s education program similarly seeks to address systemic barriers to access to higher education faced by “low-income, first-generation, African American, Latino, Asian American and Pacific Islander and Native American students.”⁶⁰ Arts

and culture grantmaking is focused on creative placemaking that “extends benefits to all stakeholders, especially low-income community members, [and demonstrates] commitment to sustained engagement and empowerment of low-income residents.”⁶¹

Rapson described the core question used to embed opportunity into every Kresge program strategy:

“Strategy by strategy, equity is within each program area. We are not just a holding company for these unrelated bodies of work ... the thread between them is advancing low-income opportunity or equity. In the past, this was much less explicit, so we have asked every program director, every program officer to become very intentional about asking what it would look like to embed low-income opportunity in the very center or core of each strategy.”

From stated goals to actual grants, Kresge’s multi-year support, program-related investments and operating support speak to Kresge’s willingness to provide the kind of long-term, flexible funding required to overcome structural barriers to inclusion and opportunity. One grantee summed it up this way:

“I think they’re taking the long view on a really challenging topic, which is equity and integrating equity into the mainstream sustainability or climate work that they’re funding. It’s been a challenge for a lot of our [funders] because this is a challenging idea for them. It seems like Kresge is putting a lot of resources and strategic thinking behind their approach.”

Yet, while some see the Kresge Foundation’s commitment to equity as strong and overt, others see it as more of an

implicit value, and an opportunity for forthright leadership. One grantee urged Kresge to represent the racial diversity of its targeted communities:

“A lot of the groups that were funded [by Kresge] were not grounded in communities. [They had] technical assistance providers and advocates who really don’t speak for the community. Given the demographics in the USA, having Latinos there when doing something visible ... is extremely important.”

Other stakeholders simply found that Kresge paled in comparison to its Michigan peer, the W.K. Kellogg Foundation. Over the last decade, Kellogg has carved a strong profile in addressing racial inequity and leading on these issues, while also seeking to grapple with its own internal and operational barriers to equity.

Overall, most stakeholders agreed that Kresge is guided by an economic equity frame and lacks a parallel racial equity frame. One peer funder described Kresge’s struggle to find a constructive role in responding to the events in Ferguson, Missouri that sparked the growing Black Lives Matter movement.⁶² This stakeholder wondered whether the foundation lacked the individual competencies and confidence to weigh in on these events. The “bully pulpit” deployed for other issues such as climate resilience seems muted around issues of racial justice. While Kresge Foundation staff participate in equity-focused philanthropic initiatives, including the Executives’ Alliance to Expand Opportunities for Boys and Men of Color,⁶³ it’s unclear whether this represents a broader commitment around boys and men of color or if the alliance influences Kresge’s strategies. For example, the foundation was not among the 27 signatories on the alliance’s August 5, 2015, letter to the Obama administration urging it to “ban the box,” a criminal

justice reform initiative to remove asking whether applicants have been arrested or incarcerated from federal job applications.

Stakeholders were unsure but suspected that this was a matter of internal culture: making grants or serving on committees of equity-focused organizations is easier than transforming one's own organizational culture. A national stakeholder described Kresge's limitations in operational terms:

"I know there are things they want to do around race and justice. ... Internally, there are some challenges, [wanting] in your heart to do something about it, but ... not being willing to admit that there are some structural issues that they are not as well-versed in or a student of ... so they may not know how to use Kresge and its bully pulpit and resources for deep systemic change. ... There is this kind of, 'I want to know the right thing, I want to be a player, I want to be a part of this conversation, I believe in this strongly.' ... One is what you want and aspire to be, but sometimes you have to build your capacity to be that that leader, that voice. ... It's okay if your heart is in the right place, but if you don't have the capacity, you're not very useful."

While difficult to hear, feedback like this should resonate not only with Kresge and other Detroit funders but with all funders hoping to disrupt racial, economic and structural power dynamics. From NCRP's perspective, the pursuit of economic justice is integral to a social justice agenda; to do so most effectively, foundations must unpack all the related and contributing factors to economic injustice, including structural racism, sexism, heterosexism and discrimination based on age and ability. As equity consultant and Philamplify researcher Gita Gulati-Partee suggests:

"The interplay between race and place is particularly salient and enduring, so it is especially important for place-based funders to build their racial equity lens. Once you adopt a racial equity lens and really do the analysis, it will bring you to ask yourself, 'Who else is marginalized? Who's not represented?' This will open the door to looking at other populations with an equity lens, such as LGBTQ communities and people with disabilities."⁶⁴

Kresge's gambles have been large and long-term, emphasizing civic institutions and infrastructure and, perhaps, aligning most easily with a focus on economic access and opportunity. Nevertheless, specific populations face specific barriers and would benefit from Kresge explicitly and strategically applying a more nuanced equity lens within each of its programs. Regardless of, or compounded by, economic status, LGBTQ communities experience barriers to access in health and social service systems. Similarly, African American communities encounter specific and well-documented barriers to positive health, education and criminal justice outcomes. While Kresge has implicitly signaled its commitment to equity, stakeholders urged a more pronounced stance, on strategic as well as moral grounds.

For example, Detroit stakeholders have criticized projects like the M1 Rail line for serving businesses at the expense of neighborhoods. One stakeholder recognized Kresge's commitment to racial equity but could understand how its current investments could be diverted away from serving vulnerable communities:

"The M1 Rail is an example; it could be sincere or it could be gimmicky, depending on your theory of change about cities. Is M1 Rail a hood ornament on a fancy automobile vs. the start of a substantive effort to change the city? I haven't had deep conversation with

[Kresge] to see how race equity and cohesion fit into the overall picture. Obviously, [Kresge] cares about [racial equity]; you can't care about Detroit and not care about racial equity. But you could see how M1 has the chance to be gentrifying rather than fostering cohesion, to serve those already doing well, rather than those who need it most."

During interviews for this report, Kresge staff declared, without reservation, the foundation's commitment to ensuring that M1 Rail, and other infrastructure projects in Detroit and elsewhere, sustain a focus on "those who need it most." To do this, Kresge has attracted both public and private resources to the rail system while negotiating behind the scenes to maintain a focus on vulnerable communities. Kresge believes that philanthropy is uniquely positioned to represent vulnerable populations, especially when markets and public institutions skew toward more affluent communities. During an interview for this report, Rapson described it this way:

"You avoid gentrification by redesigning the bus routes to reinforce the neighborhood development patterns. We have to be continually contextualizing the work, both practically and values-wise. We can't retreat back into permitting these projects to be isolated projects. We're not building light rail for tourists, we are trying to make sure there is more access to opportunity in the region. Along with investments in infrastructure, we have invested in public information campaigns to make sure everyone understands that M1 Rail is about connecting people to jobs."

Connecting civic infrastructure, economic development and social justice together in one coherent strategy would be a daunting task for any organization. Add a global eco-

nomics crisis and looming bankruptcy, and it is no wonder that less attention has been given to community organizing and small neighborhood associations. In the future, perhaps through the KIP:D initiative, these levers of social change may be tapped in support of Kresge's larger mission. Trusting relationships, as well as a full grasp of structural racism, would help counter this grantee's perception:

"Kresge has viewed the city as inept, and that carries lots of racial overtones; there is a practice of foundations – not just Kresge – jumping in ... to fund and control the gaps they see, and to step way out of their lane. Another foundation (not Kresge) is creating its own neighborhood associations. This whole trend [is] toward targeting and becoming implementers and deciding which communities have capacity. They are deciding which neighborhoods are 'worthy' of saving and which ones have the problems they want to solve. I would say [that] Kresge's intrusiveness or invasiveness fits with those kinds of power dynamics. They are no more intrusive or invasive than other Detroit foundations, but because they are the biggest, they seem maybe more so."

Self-awareness and cultural competencies must be brought to this work. While an active funder and public voice for economic justice, Kresge has an opportunity to deepen and expand its capacity to pursue racial equity goals. In fact, as mentioned above, Kresge's programs in education, health and environment offer models for using an equity lens to improve education and health outcomes and climate change resilience. One environmental grantee reported:

"I think they're taking the long view on a really challenging topic, which is equity and integrating equity into the mainstream sustainability or climate work that they're

funding. ... It's been a challenge for a lot [funders] ... It seems like [Kresge is] putting a lot of resources and strategic thinking behind that approach. When there are moments when they maybe don't understand it as much, and their approach is a little bit off, they're open to feedback and being flexible with their approach based on feedback on the ground."

Indeed, Kresge has shifted gears dramatically during the last decade. The foundation has moved from one tool – challenge grants for capital projects – to multiple tools supporting strategies steeped in values, opportunity and place. Bumps in the road are to be expected. Neither a single grant nor one large initiative can “check the box” on a foundation’s commitment to equity; rather, employing a more robust equity frame – throughout its organization – could result in deeper, more enduring outcomes.

Several promising signs have emerged over the last year. Kresge is including more diverse “levers” of social change alongside an inclination toward institution-building and urban transformation. As described above, the KIP:D initiative suggests a deeper commitment to grassroots and neighborhood leadership, as well as a growing willingness to trust others more grounded in community with implementing community change. Just as Kresge encourages cities and institutions to adapt, it also is beginning to invest in itself as one of those major institutions in need of incremental internal adaptation. With restraint and responsiveness, Kresge could become a fellow learner, leading by example and truly influencing its peers in such areas as banking, academia, economic development, government and philanthropy itself. If the next turn in the road includes more drivers and more passengers, Kresge will steer “the wheel of its enterprise” toward a more socially just and equitable destination.⁶⁵

GRANTMAKING RELATIONSHIPS

6. Grantees and other stakeholders consider Kresge’s program staff to be top-notch; staff received almost universal praise for their dedication and hard work, passion and intelligence, relationship-building and authenticity.

The Kresge Foundation’s staff is well-respected and appreciated. Program teams include between three and five program officers, with a managing director leading each team. The vast majority were recruited and attracted to Kresge based on expertise in their fields of work, experience in the nonprofit sector and desire to engage in cross-disciplinary partnerships using both grants and social investments. The most common criticism offered regarding staff related to the impression, among grantees and other stakeholders, that teams were stretched thin and covering a lot of territory (literally and strategically). Nevertheless, this national funding peer captured the commonly held view of Kresge’s program staff:

“We talk once a quarter about what each other is doing ... the way that we’re shaping the work, supporting the field and people doing the work of arts-based community development. We work very closely with them. I’d say it’s one of our strongest relationships and most valued for their intelligence and thoughts on the field. We build off each other in a really positive way.”

Acknowledging Kresge’s understanding of nonprofit capacity (or lack thereof), grantees wished the foundation would share more about the foundation’s own capacity-building journey. Still another step toward building trust among its stakeholders would be sharing details about how Kresge measures its own performance. A few grantees assumed from their experience with Kresge that the

foundation does measure its impact and performance. For example:

“The case studies that [our group] is looking at in terms of developing best practices are case studies written about Kresge grantees. So [it would seem that Kresge] is evaluating those projects and listing out the best practices, of how Kresge’s support has actually resulted in building resilience for these communities.”

At least six respondents said they didn’t know whether the foundation measured its own impact. Said one: “I don’t know if they are collecting that data. They certainly aren’t asking me for it.”

During interviews for this report, most grantees urged Kresge to assess the foundation’s internal policies and practices. Stakeholders urged Kresge to create a more supportive learning environment for its “front-line” staff, just as it has for grantees. One stakeholder suggested that a stronger emphasis on internal learning and relationships would benefit the foundation’s external goals and strategies. Another grantee addressed the connection between internal operations and external impact this way:

“My feeling about climate change is that it’s not just an issue they should be making grantees address, but also think about how climate change affects the Kresge Foundation. What are the Kresge Foundation’s vulnerabilities, and how can addressing where their investments are both reduce the problem and increase the resiliency of Kresge?”

Grantees praised Kresge’s use of grantee perception surveys but most were eager to learn how their feedback would be used or whether changes would occur. Twenty-

two interviewees responded “yes” when asked whether Kresge had asked for feedback on the foundation’s processes and strategies, measured its success or made midcourse adjustments based on such data. An almost equal number (19) responded “no.” Again, Kresge staff’s active participation in this research suggests a willingness to solicit feedback; consistently sharing the foundation’s responses to this feedback would increase grantees’ perception of foundation accountability.

7. Kresge’s grantmaking is flexible, works across silos and prioritizes the capacity-building needs of grantees and the larger ecosystem of actors working on targeted issues.

Kresge’s grantmaking practices align well with *Criteria for Philanthropy at its Best*. Kresge not only funds but also encourages other foundations to provide multi-year, general operating and capacity-building support. Beyond these tools of the trade, Kresge is appreciated for taking “deep dives” into public policy, research, demographic data and cross-sectoral initiatives that bring business, philanthropy and nonprofits together. Not surprisingly, grantee relationships represent Kresge’s greatest strength among many of its grantees and other stakeholders:

“Kresge was right at that table talking and thinking about [our shared mission]. [Our program officer] has really been a vocal leader and advocate for this and has put a ton of work and hours thinking about this. That’s the beauty of Kresge – [we have] a lot of our core funders ... we really consider them cooperators ... and Kresge is at the top of list. Kresge comes to our annual meetings each year ... and they listen and contribute respectfully. They’re at the front lines – pretty cool. Every funder relationship we have isn’t necessarily like that.”

Issue-focused grantees praised Kresge for fostering collaboration across the foundation's own program areas, with "creative placemaking" highlighted as one successful example. While some grantees find Kresge making inspired strides in this regard – arts and culture and environment, for example – other grantees, suggest that this may be Kresge's most important but most difficult challenge:

"I think their bigger thing is that they want to achieve impact through a focus on human services and I think they're going to have to do more around capacity-building, longevity of commitment and making sure that there is a concurrent capacity being built in their grantees for education, advocacy, influence and raising up voices of the people who are affected by the systems they're trying to change. The other thing I think would be important – and I don't know how to do this in [a] foundation because I'm sure that, like any organization, you get siloed – is to start thinking at an integrated level internally as an organization."

With success in some program areas and encouraging signs in others, building the capacity of grantees and the ecosystems in which they work may prove to be Kresge's particular strength. Kresge has prioritized work across "programmatic silos" and interviewees have seen significant progress on that front:

"I've been trying to get our local foundations to mirror this: cross-team, cross-departmental work, particularly in community work. It does not happen in silos. People are affected by transportation, education, the environment. [It's important] to have people within individual siloed departments ... thinking about how they can intersect and build upon one another. That Kresge is getting those teams to work together is great."

Interviewees also praised the foundation's attention to building and sustaining infrastructure-supporting organizations. This obviously included grants and social investments, but also the "moral support" grantees felt they received from Kresge Foundation staff. Again, stakeholders suggested that Kresge's legacy as a capital grantmaker may offer particular understanding and empathy:

"I think one of the things that they do really well is go into a conversation with you to create the solution together. We like that."

Each program officer designs the reporting formats and questions he or she uses, "often in consultation with the organization receiving the funding. ... In most cases, grant reports include a narrative update and financial report, both due at certain intervals during the grant period."⁶⁶ In fact, interviewees remarked that Kresge staff instructs them not to overcommit on deliverables but instead ensure that activities and strategies align with their mission and capacities. Grantees found Kresge to be flexible if and when strategies, activities and timelines had to be reworked and adjusted. Grantees generally find Kresge's reporting requirements to be respectful, if rigorous:

"They require an evaluation that is absolutely appropriate. We work with them on the kinds of metrics we'd be looking at – student learning, student persistence between community colleges to us, and some predictive work in terms of behavioral indicators of success going forward. It's really all about student learning, success and retention. We haven't had the grant long enough to look at graduation rates, but certainly we'll look at that too."

Grantees deemed the requirements appropriate and useful, given the long-term nature of Kresge's systemic change goals.

8. Kresge's process of selecting and vetting grantees can be daunting and sometimes frustrating in terms of timing, expectations and accessibility.

Program areas and even specific program officers can influence how the Kresge Foundation grantmaking processes are experienced. As one grantee said:

"Kresge is always one of the more flexible foundations. [With other foundations] you have an RFP [request for proposal] that's already in the can and they have a select group ... invited to apply. But the areas of funding are well-delineated. Kresge tends to do a lot more active listening. They aren't as rigid. If you could make a case that they did not foresee, they would listen to it. Sometimes they'd agree, sometimes they wouldn't. But I always appreciated their agility and their adaptability to respond to the needs. Let us self-define what our issues were."

In contrast, other stakeholders interviewed suggested that Kresge "kept its own counsel," "knew what it wanted to do," and could be "unwilling to question its own strategic direction." Especially when you go beyond anecdotes related to a single negative interaction or a rejected grant application, stories of grantee relationships "gone wrong" are instructive to Kresge and other foundations. Like it or not, relationship missteps can undermine Kresge's larger aims and groundbreaking systems change.

In one case, following numerous conversations with a program officer, a nonprofit leader was asked to host that program officer and a guest for a day-long meeting in which they would explore the details and operating model of the nonprofit's pilot program. Thinking this was the next step toward attracting Kresge funding, the nonprofit invested significant time preparing for the meeting and

creating materials. The meeting seemed to be successful until, months later, the nonprofit not only failed to receive Kresge support but learned that the guest at the session had been another Kresge grantee looking to establish a similar program – with Kresge as its largest funder. Unknowingly, the nonprofit leader had shared the program's design, business model and lessons learned with what would become a competitor for limited funding. The nonprofit leader described this as "the single worst behavior I have ever witnessed in a funder."

An altruistic instinct toward sharing good ideas may have been to blame, but not surprisingly, the nonprofit leader believed that Kresge had shown a total disregard for his organization's intellectual property. While foundations are urged to work collaboratively and "cross-pollinate" ideas, such actions can have unintended consequences for their grantees. Another grantee described a similar experience in which Kresge seemed to act without considering an organization's point of view. This grantee believed that Kresge staff had actively lobbied another major local funder not to support its project. Only later, after the project had become a success in spite of Kresge's efforts, did Kresge come around to funding it as well. The power to call a meeting, influence other funders or grab attention is one of the foundation's greatest strengths. But, when wielded carelessly, it can be an "unchecked privilege" that seems to have damaged Kresge's reputation as a partner and ally in some instances.

Nevertheless, Kresge does stand apart from its peers in its sustained willingness to seek grantee feedback via the Center for Effective Philanthropy's Grantee Perception Report (GPR). Assessed in 2007, 2011 and again in 2014, Kresge has not only gathered essential feedback from its grantees over time but also has shared both positive and

not-so-positive results publicly. Beyond sharing the results, in 2012, Kresge unveiled specific actions undertaken to address its less complimentary appraisals:

“The findings aren’t universally complimentary, however. The trouble spots emerge in the realm of staff interactions. ... This is hard to hear and disappointing. ... We are committed to improving on this essential dimension. ... Our challenge is two-pronged: improving the manner in which we treat all applicants and increasing the frequency of contacts with grantees overall. We’ve begun conversations across the foundation and within our six program teams about how to address both.”⁶⁷

Three years later, and boasting a strong 67 percent survey response rates from 393 2013 grantees and 39 percent survey response rate from 286 declined applicants, Kresge’s GPR signals notable improvements. Project Streamline and others have urged foundations to address “the cost” in nonprofit time and resources of seeking grant dollars. The GPR asks respondents to report the time spent by applicants and grantees on the Kresge grant selection and helps quantify Kresge’s progress on this front. In 2014, successful applicants reported a median time of 30 hours spent on the selection process; about 10 hours more than the grantee spent on other funding requests. More impressively, however, the time represents a reduction from 40 hours spent by 2011 respondents and a significant reduction from the 85 hours spent by 2007 respondents (likely due to the feasibility and financial requirements of the Kresge Challenge Grant process).⁶⁸

For this report, NCRP spoke with recent applicants as well as grantees that, at various times, had been both declined and supported. Kresge’s relationships are influenced by the foundation’s very public expression of its goals and

aspirations. For example, by sharing its desire to work “both at the front lines” in communities and “the larger stage of public policy, civic relationships and economic systems,” Kresge’s intentions and actions are subject to higher scrutiny and deeper criticism.⁶⁹ In other words, the nonprofit sector is so eager for a foundation to do what Kresge says it wants to do, it can be impatient when the foundation is unready – or unwilling – to follow through. Such are the relationship challenges of strategic philanthropy.

Grantees and other stakeholders experience their relationships with the Kresge Foundation in different ways. Different program areas present not only different staff relationships, but different strategy and capacity challenges as well. Grantees consistently shared the hunch that Kresge staff was simply “spread too thin” to invest the time and responsiveness grantees might have liked. Indeed, Kresge’s ambitious program goals as well as its efforts to work across and within multiple sectors and disciplines may demand a larger and more flexible staff. Foundations of comparable asset size engaged similarly in place-based initiatives as well as regional, statewide or national collaboration, such as The California Endowment (TCE), have invested proportionally in staff. For example, a 2014 Philamplify assessment of TCE found that its staff of 135, while large, was essential to the pursuit of the foundation’s social justice goals. The report goes on to recommend continued investment in training and internal systems to be a truly exemplary social justice grantmaker:

“This size also allows staff to be located in or near funding sites and have time to connect with communities and build relationships. Especially because the staff is so diverse and dispersed geographically, continuous training, support and internal communications are critical to ensuring a unified team. Program staff need support to

blend social justice values with the craft of grantmaking. Operations staff need support to make the links between their day-to-day responsibilities and the social justice mission of the foundation. These efforts will enable TCE to shore up its grantmaking function while also strengthening its work as a multifaceted changemaker.”⁷⁰

When it comes to foundation staffing and capacity, the stakes are high both inside and outside the Kresge Foundation. While grateful for Kresge’s support, one grantee suggested that the unresponsiveness of staff had significant impact on their organization:

“We have been funded by Kresge before and ... recently we asked for direct program support. ... We were calling and calling to check on the status and after six months, we still didn’t know what was going on. So we had to call and say – look, we are desperate, and then a grant just came through for general operations. I mean, we are grateful, but it just told us that the program officer can’t keep up. So, at the last minute, we got this operating grant.”

Another current grantee seemed unsure about why or how it fits into Kresge’s larger strategy, but it found the grant-making process straightforward and fast:

“They came to us: they knew what we were doing ... and the program officer came to us and said, write a proposal and say this and that. We wrote the grant and got the money 40 days later. They let us know that we could structure it as a multi-year grant. If you are doing what they like, they treat you well. I don’t know how they knew to come to us. ... I wish I knew exactly why they chose us. The door opens wider and wider with our success.”

As the image of a “door opening wider and wider” suggests, once selected for a grant, most grantees offered positive assessments of the Kresge relationship. For many grantees, Kresge represented a model funder relative to its peers. Nonprofit leaders reported that they could be honest with Kresge program officers about how work was progressing; many viewed Kresge staff as thought partners. Many grantees appreciated the willingness of Kresge’s staff to help make connections to other funders and other resources that would support grantees’ success. Still, a commitment to cross-pollinating ideas and strategies can backfire when working with such diverse communities and programs:

“I think one of the issues that we’ve run into on one of our Kresge projects ... with implementation, is that ... sometimes they adopt a methodology, but they don’t have the ability to flex the methodology to individual community needs. They are looking at a methodology that could work well in urban centers of a certain size, but in smaller communities it’s not as nimble and flexible that it needs to be.”

Nevertheless, with *Criteria for Philanthropy at its Best* as a guide, several positive trends emerge, especially given Kresge’s aspiration to bring “the right tools” to its mission. On the topic of “nonmonetary assistance,” which could include field-building, management and other types of assistance, Kresge’s grantees indicate a steady increase in these types of support. Across the program areas, the Grantee Perception Report noted that grantees’ receipt of both monetary and nonmonetary support rose from 36 percent to 54 percent between 2011 and 2014. Grantee respondents from the environment, education and arts and culture program areas were most likely to receive highly appreciated nonmonetary support.

In 2014, as in 2011, grantee relationships with staff and staff responsiveness remained the areas of greatest challenge for Kresge. While distinct program areas have made steady improvements in this regard, interviews conducted for this report revealed differences in grantee relationships depending on program. The GPR also revealed that grantees within Kresge's education and social investment portfolios reported strong relationships with Kresge; health, human services and community development program areas were among the weakest.⁷¹ Grantees and other stakeholders interviewed for this report offered similar qualitative evidence of differences based on program areas. A grantee from the education program marveled at the Kresge program officer's level of engagement:

"I don't know how they get this done with such a small team, but they're on the phone. [The program officer] calls me up. They're sending out emails. But they're not doing op-eds; they're not a big press machine operating in parallel touting what they're doing. No, it's the ground game; they're piling up yardage. They figure out a way to talk to people and they do it with Midwestern kindness."

Another grantee from Kresge's arts program reported similarly:

"[Kresge] took it upon themselves to come to one of our network members ... to spend time on the ground, in the neighborhood, with this organization to understand how ... through the power of the arts, they were engaging residents, building strengths and resiliencies in the young people and using art as powerful advocacy instrument in the community. They could've just done that by phone, but I find the Kresge team is very comfortable going right into the neighborhood or community, sitting down with participants and residents of our

sector, to really understand what's needed. I've never felt that they live in some ivory tower where they're not comfortable being present. I see their team – they're very comfortable in the field. [I see them] moving all over the country and going to where people were to build relationships. ... The team came here and spent an entire day with my team."

Yet, some Detroit grantees shared opposite experiences and took the foundation's unresponsiveness more personally:

"I send them pictures. They don't ever come out and see for themselves. When I do have a question, they are just not very responsive. ... It usually takes weeks. I have emails that have never been returned. It took three weeks to get a call returned. ... I also wonder if because we are just too small a fish, if we are not as important. I can never get them to come see us."

Several grantees reported finding Kresge staff unresponsive to pending grant applicants for many months or even years, even when the foundation had invited the grant proposal. More than a dozen grantees shared the sentiment of this one:

"Definitely one of their challenges – they're not known for getting back to people quickly. They can say they'll do a grant with you, but it takes quite a while for them to really deliver or choose not to deliver and communicate that. I really feel that the major reason behind that is just how pressed they are by the really big agenda and a limited set of staff resources to deliver on it."

In general, Kresge's 2014 GPR and NCRP's stakeholder interviews reveal a continuing evolution of the foundation's relationship with grantees, a relationship improving in

some areas and struggling in others. In Detroit, to be sure, the urgency of bankruptcy and disproportionate media attention undoubtedly distracted the foundation from a more planned and predictable strategy. Beyond Detroit, Kresge's staff acknowledged that the foundation's many programmatic and geographic constituencies have tested the foundation's systems. Transitioning the foundation from its practice of giving very large grants to very large institutions to its present strategy of numerous, flexible, timely grants to organizations of varied sizes and capacity has proven bumpy at times. Even grantees that are satisfied with or pleasantly surprised by the current level of staff-grantee engagement wondered whether the pace and intensity of Kresge's strategies could be sustained.

Kresge does appear to have heard this feedback and is investing in its own internal capacity. During the summer of 2015, Kresge launched a new online grants management system, with the stated intention of "[enhancing] communications" with grantees.⁷² Combining stronger feedback mechanisms, new technology and internal systems, plus what most stakeholders described as thoughtful, dedicated program staff, will be a powerful step to address stubborn weaknesses in largely productive grantee relationships.

OTHER INTERNAL OPERATIONS

9. The Kresge Foundation meets and exceeds most of NCRP's criteria for effective practices and good governance, notably in its commitment to transparency and to diversity in its staffing and leadership.

As described throughout this report, Kresge deploys its assets boldly and creatively based on the unique circumstances in which it finds itself. Kresge deploys program-related investments, pools its resources with other funders and provides operating and multi-year grants to individual

grantees. Nevertheless, since 2007, the foundation has generally paid out at or just above the legally required 5 percent for grants and operating expenses, with the exception of 2009, when payout was 6.3 percent. In 2012, the foundation paid out 5.4 percent. Paying out at a higher rate would enable the foundation to grow its internal capacity to deliver on its ambitious agenda.

Kresge is governed by an 11-member board, including Rip Rapson, ex officio. Board members represent business, planning, industry, health and the nonprofit sectors. Board members reside all over the country, but several have strong ties to Detroit. As has historically been the case, one Kresge family member, Cynthia L. Kresge, currently serves on the board. While board pay is not extravagant at \$28,500 per year for members and \$43,500 per year for the board chair,⁷³ NCRP discourages paying board members because no correlation has been found between effective practice and board salaries.⁷⁴

The foundation has an expressed commitment to diversity and exercises leadership on this issue in the sector. A member of the D5 Coalition,⁷⁵ Kresge endorsed early a joint initiative to encourage nonprofits and foundations to share board and staff demographic information. Kresge's board of trustees includes gender and racial/ethnic diversity. In addition to Ms. Kresge, five other women, including board chair Elaine D. Rosen, serve on the board. Four board members are people of color. Many board members have deep experience working on issues relevant to the foundation's program areas and in underserved communities. The staff has achieved some diversity in all departments and across levels of authority.

Kresge makes its investment strategy available, stating on its website: "Our primary investment objective is to generate a 5.5 percent annualized real return over the long term.

Annualized, the five years ended December 31, 2014, the endowment has returned 10.5 percent. Our investment asset value as of Dec. 31, 2014, was \$3.6 billion.⁷⁶ One stakeholder questioned the foundation's relationship with DTE Energy, a diversified energy company involved in the development and management of energy-related businesses and services nationwide, including both coal and renewable energy.

This stakeholder suggested that some environmental groups eschew Kresge support because of a perceived connection to the coal industry. Kresge partnered with DTE to convert the Kresge headquarters to renewable energy and with DTE's corporate foundation to create a "Green Alley" in Detroit. Until March 2014, Kresge board member Paul Hillegonds served as senior vice president of corporate affairs at DTE Energy; this affiliation no doubt has the appearance of a conflict of interest. As referenced above, Kresge maintains conflict of interest and other ethics policies that would help to address such situations. Moreover, it is unclear from this research how widespread and specific the negative perception is.

It is clear that the Kresge Foundation is committed to its social investing portfolio with commitments totaling \$20.4 million in 2014. Beyond this, a staff person, Kimberlee R. Corbett, serves on the steering committee of Mission Investors Exchange, an association "of philanthropic innovators [that] share ideas, tools and experiences to increase the impact of their capital."⁷⁷ NCRP recommends that foundations work toward a goal of 25 percent of assets in mission investing and a growing number of foundations are even striving for 100 percent of assets aligned with mission. Active participation in Mission Investors Exchange and a general trend toward aligning strategy, structure and investments indicate that Kresge may intend to meet that mark.

The Kresge Foundation's dramatic shift in strategy and structure has demanded – and will continue to demand – significant investment in the foundation's internal capacity. Nevertheless, the last decade's remarkable transition certainly belies the image of the behemoth foundation groaning and creaking in the face of change. Grants management, staffing and governance have been adjusted to meet the needs of Kresge's evolving strategy. As a full board, trustees are urged to spend time thinking about overarching strategy and long-term impact; yet, smaller programmatically-focused trustee committees work closely and frequently with each program to provide oversight and develop deeper substantive insight. More recently, the foundation has sought to break down funding silos that contradict its systemic, interdisciplinary goals. A stream of funding has been dedicated to cross-program grantmaking. Staff interested in tapping this reserve must make a case to fellow program officers and look for wisdom and partners – inside and outside Kresge. Grantees are aware of and excited about the potential of this cross-program approach:

"I know they've had an increase in cross-team conversations. I'm excited by how they're aware of each other's work. They engage thoughtfully while taking the local context into account."

Transparency is a first and essential step in philanthropic accountability; in its strategy and program goals, Kresge represents a high level of transparency. Internally, according to the Foundation Center's Glasspockets⁷⁸ initiative, the Kresge Foundation checks all the right boxes with up-to-date basic information as well as:

- Governance policies including by-laws, committee charter, codes of conduct, conflicts of interest policies and board of directors list.

- Human resources and staffing policies and information, including whistleblower procedures, executive compensation process, diversity practices and key staff list and biographies.
- Grantmaking information, including process, strategies/priorities, searchable grants database or categorized grants list, and a statement regarding how economic conditions affect the foundation's grantmaking.
- Performance measurement, including assessment of overall foundation performance, knowledge center and grantee feedback mechanisms.
- Financial information, including audited financial statements, Form 990 or 990-PF and investment policies.

Active in national and regional associations while also posting reports, speeches and program descriptions to its website, Kresge has invested in robust communications. With its grantmaking, Kresge embraces "strategic communications"⁷⁹ or the use of "public interest communications to drive change."⁸⁰ Interviewees recognized Rip Rapson and Kresge's program officers as convincing public advocates who help to shift public awareness and opinion toward Kresge's mission and vision. Behind the scenes, as well, Kresge's leadership unapologetically exerts influence to achieve or attract partners to its ideas.⁸¹ The successful use of Kresge's social, intellectual and human capital, in combination with its financial capital, exponentially increases Kresge's ability to achieve impact.

Nevertheless, interviewees and survey respondents quoted in the 2014 Grantee Perception Report [GPR] offered salient feedback on Kresge's communications priorities. Staying focused on message and strategy can be a particular challenge for such a large and complex foundation. On the topics of clarity and consistency, GPR respondents suggested:

"It would be helpful to understand Kresge's long-term goals and direction better so that we can understand [how] we might help them achieve those goals and align our efforts beyond the grant periods."

"I would recommend that they communicate a bit more proactively with grantees about their goals and strategies."

"We would suggest that the foundation more explicitly explain its overall mission and focus to grantees, especially beyond individual grantees' issue areas."

"Improve communication among staff members so that decisions can be made within more reasonable timeframes. Clarify processes and be consistent."⁸²

Grantees and other stakeholders contacted for this report felt appreciation for Kresge's strategic communications capacity, with a few caveats. Several grantees respected Kresge's willingness to speak unpopular truths and to take advantage of its "bully pulpit." Another grantee seemed resigned to Kresge communications having a more self-serving slant:

"Kresge has a very sophisticated PR machine; they correct their mistakes by going on to the next thing – not by going back and admitting mistakes."

Finally, one stakeholder suggested that Kresge shift away from telling its own story and instead, "on communications ... only show up to raise others up and laud others' work."

The challenge for Kresge is ensuring straightforward and consistent messaging while also ceding control and credit to different voices and stakeholders. While there's no perfect option, deeper and more trusting relationships

with Kresge's stakeholders would mitigate the sense that Kresge's communications only serve Kresge's larger ambitions. Stakeholders suggested that an evolution in Kresge's communications strategy toward shared impact would create what the Communications Network has called, "a continuous, virtuous, self-correcting cycle of sending and receiving, and the ability to cede control." Lately, the foundation seems to have adjusted its communications style, inviting grantees and other stakeholders to engage online and with other social media. Building more mechanisms to receive, respond to and act upon more timely feedback are steps toward greater accountability, stronger relationships and increased effectiveness.

CONCLUSION AND RECOMMENDATIONS

“May you always live in interesting times.” This popular saying captures the tricky context in which the Kresge Foundation operates. Since embarking on a transformational journey in 2007, the foundation has set high expectations for itself and has been held to high expectations by its stakeholders. Kresge’s experience is instructive in many ways – if only to contradict the notion that foundations always avoid risk and never truly change. Few foundations have embraced change – and its attendant risks – more than Kresge. The Kresge Foundation is eager to engage, tackle big projects, advocate for big ideas and take risks it believes will benefit marginalized and low-income communities. With visionary governance and bold leadership, the foundation has carved and continues to blaze a path toward significant and lasting social justice impact.

It has been a privilege to explore the Kresge Foundation’s strategies and impact from multiple angles. To be sure, the foundation offers a glimpse into the difficulties of balancing risk, restraint and responsiveness in the practice of strategic and just philanthropy. In some areas of Kresge’s strategy, the balance has been well-struck; in others, the foundation is still finding its way. In some instances, the foundation has chosen intentionally to respond to one critic over another.

Along this journey, Kresge has grappled sincerely with its interesting times. As the foundation continues to evolve, Kresge will place itself squarely among the country’s most vocal and successful social justice foundations. NCRP of-

fers this report and recommendations to assist Kresge in achieving even greater, more inclusive outcomes. Just as urgently, NCRP hopes Kresge’s example will offer other social justice funders insight into what it takes to balance risk, restraint and responsiveness continually and well. In their active and impassioned contributions to this research, both the Kresge Foundation and its stakeholders have contributed to NCRP’s larger mission to promote philanthropy that serves the public good, is responsive to people and communities with the least wealth and opportunity, and acts with integrity and openness.

NCRP urges the Kresge Foundation to consider and act on the following recommendations:

- 1. Keep practicing strategic, social justice philanthropy by taking risks and sharing the underlying values and assumptions behind the foundation’s strategies, and the resulting outcomes.** Kresge has led the field and can continue to do so, especially in its commitment to underserved communities, systemic approaches, cross-issue grantmaking, public leadership, multi-year funding and nonmonetary support (convening, collaboration, strategic communications). Several program areas, particularly the environment, have exhibited the potential for profound impact and exemplary pursuit of the criteria for philanthropy at its best.
- 2. Build upon the foundation’s commitment to economic opportunity by incorporating a racial equity**

lens in the theories of change, tools and internal operations of the foundation. Improved cultural competency can enhance an already strong, values-based commitment to closing gaps in opportunity and access for low-income individuals and families. Peers in philanthropy, including the Ford Foundation, Woods Fund of Chicago and The California Endowment, offer models to explicitly address structural racism and equity in philanthropic mission and strategy. Kresge's existing strategies, commitment to partnership and use of strategic communications could be even more powerful with a racial equity lens built into the very DNA of the foundation. Applying a racial equity lens opens the door to examine other barriers to equity, for example, barriers affecting LGBTQ populations.

3. Especially in Detroit, continue recent efforts to forge relationships with neighborhood and nontraditional leaders to develop a more inclusive understanding of potential partners and levers for social change.

Now maturing into the strategy it launched in 2006, Kresge is poised to develop even more intentional collaboration with grantees. The foundation should work to confront the "distortion field" resulting from its size and influence. As recent programmatic adaptations suggest, mixing equal parts restraint and responsiveness into an already risk-tolerant strategy will reinforce, rather than diminish, Kresge's systemic impact.

4. Increase payout to 6 percent and invest the additional resources to expand and support staff and to increase grantmaking to pursue the foundation's ambitious, hands-on agenda. Stakeholders almost universally praised Kresge's staff, but many wondered whether the foundation can maintain its pace while creating a more supportive risk-taking environment for

program officers. An increase in staffing could benefit grantee relationships and strategic impact. The problems Kresge seeks to address are urgent and important for society; adding 1 percent to payout, approximately an additional \$35 million a year, would help Kresge make faster progress in solving these challenges by boosting staff capacity and grantmaking.

5. Expand mission investing to a higher percentage of the foundation's corpus and divest from fossil fuels to align investments with environmental goals.

NCRP recommends that the foundation work toward a goal of 25 percent of assets in mission investing.

6. Continue to communicate strategically, especially when stakes are high, but show equal willingness to provide a platform for others when doing so will contribute to longer-term goals and relationships.

Kresge leads boldly and uses its "bully pulpit" effectively and often. Kresge showcases the work of its grantees and communicates results; stakeholders urged Kresge to share more of the why and how. Stakeholders would like to know more about the big picture, how the parts add up to the whole and what the foundation has learned about its own impact. Recent communications activities suggest the foundation is already acting to address these concerns.

APPENDIX

“IF YOU WERE CEO OF THE KRESGE FOUNDATION ...”

Top Issues Raised and Illustrative Comments

NCRP asked survey respondents and interviewees to imagine themselves as CEO of the Kresge Foundation, and tell us which aspects of the foundation’s approach they would maintain and which they would change. Below are illustrative comments for the topics most frequently raised in response to this question.

Which aspects of its approach would you maintain?	Which aspects would you change?
GRANTEE RELATIONSHIPS AND COLLABORATION	
<ul style="list-style-type: none"> ■ “We were invited to submit a letter of interest and from there submitted an application. It was handled differently from most other foundations. They asked, ‘What are you trying to do, what are your needs and what do you have the capacity to do?’ And then we’re going to have these principles: engage residents, maintain sense of belonging, but not have rigid boundaries. It was new and refreshing. We were about to craft an application that wasn’t dictated by an RFP process but one that was responsive to what we felt was needed to move the community forward. I haven’t been in another situation like that.” ■ “What I would retain would be this change of posture until now. The approach to grantmaking, the collaborative work with grantees ... those are just the essential pieces of how Kresge has been so remarkably successful, particularly in the climate field in the last few years. I would hate to see them not do that.” ■ “Kresge has found the sweet spot. They have a broader theory of change in terms of what they are trying to accomplish. They are scanning the field constantly through their contacts with grantees and helping to amass a current state of knowledge ... [from which they] can identify gaps and things that aren’t progressing or major issues not being addressed, then work collaboratively with grantees to figure out how best to do that. It’s a remarkable thing.” 	<ul style="list-style-type: none"> ■ “[I would do a] geographic assessment of communities and get a sense of institutions [good] at providing representations and community building and put my resources there. There are a lot of new folks that are coming in with ideas without realizing that the work has been going on for years. More collaboration and less competition.” ■ “I’d love to see them move that office from Troy to Detroit. It seems crazy to be dedicated to urban America and be next to our largest shopping mall. As beautiful as the offices are, it’s bizarre.” ■ “I would change the procedural aspects – I would try to look more for institutional intermediaries. Build the social infrastructure here. Look for and honor the intermediary partners. It wouldn’t look the same as under John Marshall, but there is a lot to be said for that kind of collegiality and partnership. By its very nature, it would attract more resources for the mission.”

“IF YOU WERE CEO OF THE KRESGE FOUNDATION ...”

Top Issues Raised and Illustrative Comments

Which aspects of its approach would you maintain?	Which aspects would you change?
COMMUNICATION AND TRANSPARENCY	
<ul style="list-style-type: none"> ■ “The openness and responsiveness is something I would maintain.” ■ “They’re much more considered and open [than other foundations]. If you get the right person, you’ll get a good conversation about what you’re doing. I think they should keep doing that.” ■ “I’ve been trying to get our local foundations to mirror [Kresge’s] cross-team, cross-departmental work, particularly in community work. It does not happen in silos. People are affected by transportation, education, the environment. To have people within individual siloed departments and not thinking about how they can intersect and build upon one another. That Kresge is getting those teams to work together is great.” 	<ul style="list-style-type: none"> ■ “Assuming that the mission and agenda is one that they want to move on – the inequities – then I would want to do much more of a national communication campaign about that, and let institutions know what that means very clearly, and what they’ll be funding and what they hope their outcome is. It has to be thought through, or it could be glib.” ■ “If you don’t tell your story, others will define you and tell it for you. I just believe that more could be done. They could be telling their story anywhere to anybody that listens and I’m simply not on [the] mailing list, not in the know, not part of communication loop ... fine because I get enough emails. Probably more that can be done making sure that their story is told and sharing their point of view, and where they are being successful and not being successful. If I were Rip, I would begin to provide knowledge to philanthropy because they definitely have a lot to contribute.”
DETROIT	
<ul style="list-style-type: none"> ■ “They have been entrenched here for a very long time and done lot of good work. The aspect of trying to continue to figure out ways to help this city improve is very important and I would continue that aspect. ... [Another aspect I wouldn’t change is their] ear to the ground and understanding [of] this Detroit market. ... The strategy of not being afraid to get in the market and listen to what is going on is a good one. Sometimes foundations can work in an ivory tower, let’s put it that way. I do not have that perception of them at the moment.” ■ “Kresge has taken a good deal of leadership around Detroit, with planning and moving forward on some things. I think that’s right. There’s been some missteps and a couple of blunders with funders trying to do some things in Detroit. Just the process and how it goes. Not everything is going to go perfectly and mistakes will be made. They seem willing to be a player and recognize that they are necessary to change process in Detroit. I wouldn’t necessarily change it but would continue to refine it and recalibrate so that the leadership that Kresge can and should take in [the] transformation of Detroit and metro area, stays first and foremost in what he does as a collaborative with funders there. Even being more of an ambassador and champion for transformation of Detroit could be something he could do.” 	<ul style="list-style-type: none"> ■ “Being that ambassador and voice for Detroit and surrounding area could go a long way in being able to leverage additional relationships and support. Because of bankruptcy, they had a lot, but that’s not the same as community change and social justice. While you have the attention around getting out of bankruptcy, there is more that can be done in leveraging philanthropic dollars to improve and work in that city and metropolitan area.” ■ “I do think that they are spread across way too many issues in Detroit, and as hard as it is to narrow a field, I think that they’ve had enough years of being spread across all those issues that it’s time to narrow it. ... Their national work and their Detroit work is not as well integrated as it should be. Most of Detroit couldn’t tell you that Kresge has national programs.” ■ “Within the Detroit program ... One other thing that I would suggest is becoming an incubator or gathering place for nonprofits’ capacity – use its physical resources in better ways. Make it more welcoming and a real gathering place. Advocating for LEED design. Lead by example, not by checkbook.” ■ “Maybe it’s purposeful but communicating their strategy for Detroit may be a little more helpful and maybe, if they did, a lot of people would be asking for grants around that strategy. So maybe it is on purpose they don’t communicate that as well. Continue communication in this Detroit community in what they are doing and why. And they might do it [already], but could do it a little better.”

NOTES

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17. See <http://kresge.org/programs>.
18. See <http://kresge.org/about-us>.
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ABOUT PHILAMPLIFY

Philamplify is an initiative of the National Committee for Responsive Philanthropy that aims to maximize the impact of our country's grantmakers. At the center of Philamplify is a series of comprehensive reports conducted by highly regarded researchers assessing foundation grantmaking and operations. Assessments include key findings and recommendations, along with in-depth analysis of foundations' funding strategies and feedback from peer funders, nonprofit leaders, issue experts, community members and more. By making these assessments public, Philamplify seeks to build a culture of transparency, mutual accountability and knowledge sharing.

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