

## My Organization Nixed Trust-Based Philanthropy. Here's What We Discovered.

Without accountability, the author found, trust-based philanthropy is little more than a feel-good exercise.

By [Dan Goldenberg](#)

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### TRUST-BASED PHILANTHROPY

The organization I lead, the Call of Duty Endowment, learned the hard way that trust-based philanthropy doesn't work. A decade ago, we made large grants without firm guidelines for what should be achieved or regular performance assessments.

The results were decidedly lackluster. We didn't come close to reaching our goal of making a significant dent in veteran unemployment rates. In fact, it took us almost four years to place just 1,000 veterans in jobs. By a cost-per-placement standard, we did no better than the [torpid performance](#) of the federal government, which at the time spent more than \$1,200 per placement. Since then, that number has climbed to almost \$12,000.

Unsatisfied, we decided to embrace tough love. We launched our [Seal of Distinction](#) program, which, through rigorous assessment, awards grants to nonprofits that demonstrate the "highest level of effectiveness, efficiency and integrity in placing veterans in quality jobs." The [program](#) requires more effort than awarding grantees a check and trusting them to get the work done. But it's worth it.

We regularly scour the landscape of the more than [36,000](#) veteran-focused nonprofits identified by GuideStar to find the highest performers based on quantitative measures such as cost per placement, average starting salary, retention rates, and percentage of full-time placements made. We evaluate every organization that makes it through our

process for the veracity of their performance metrics, financial health, background of key employees, and compliance with policies and procedures.

We then fund those who earn our Seal of Distinction with single-year restricted grants, as opposed to the multi-year unrestricted grants pushed by trust-based philanthropy proponents.

During that year, we coach their leaders, track and verify metrics quarterly showing the impact of their work, and provide additional support as needed.

If we see quantifiable goals achieved, the nonprofit receives another one-year grant. Our average grantee has been funded for more than seven consecutive years.

We aren't opposed to the intent of trust-based philanthropy and think it raises critical questions about the most appropriate and effective role for donors. We also support many of its core tenets, including what the Trust-Based Philanthropy Project [calls](#) "a commitment to building relationships based on transparency, dialogue, and mutual learning." But that doesn't mean the actual, measurable results of grantee work can be ignored.

## Delivering Results

We've come to believe that trust and accountability are two sides of the same coin. You can't have one without the other. And we have the data to prove it. Since we began the Seal of Distinction program in 2013, our grantees have found good jobs for 125,000 veterans — the equivalent of more than two-thirds of the U.S. Marine Corps. They accomplish that at about [one-nineteenth](#) the federal cost per placement and with better outcomes in terms of salaries, retention, and full-time employment rates.

Along the way, we've gleaned five key insights about why it's better to insist on performance measures rather than makes unrestricted grants:

**Trust-based philanthropy lacks accountability.** Mutually agreed-upon metrics for determining the results of a grantee's work ensures that a donor's funds are being used as intended to fulfill the nonprofit's mission and that everyone is working toward a common purpose. Such metrics also allow foundations to meaningfully monitor the

progress of a project and, if the work goes off track, provide additional assistance before it's too late and a grant has run its course.

During the early stages of the Seal of Distinction program, we discovered that a well-known nonprofit had violated the intent of our grant because of financial incompetence. We held the organization accountable to our standards and dug in. When other donors were informed of the problem, they were shocked and appalled. They had trusted the grantee but had not verified its work.

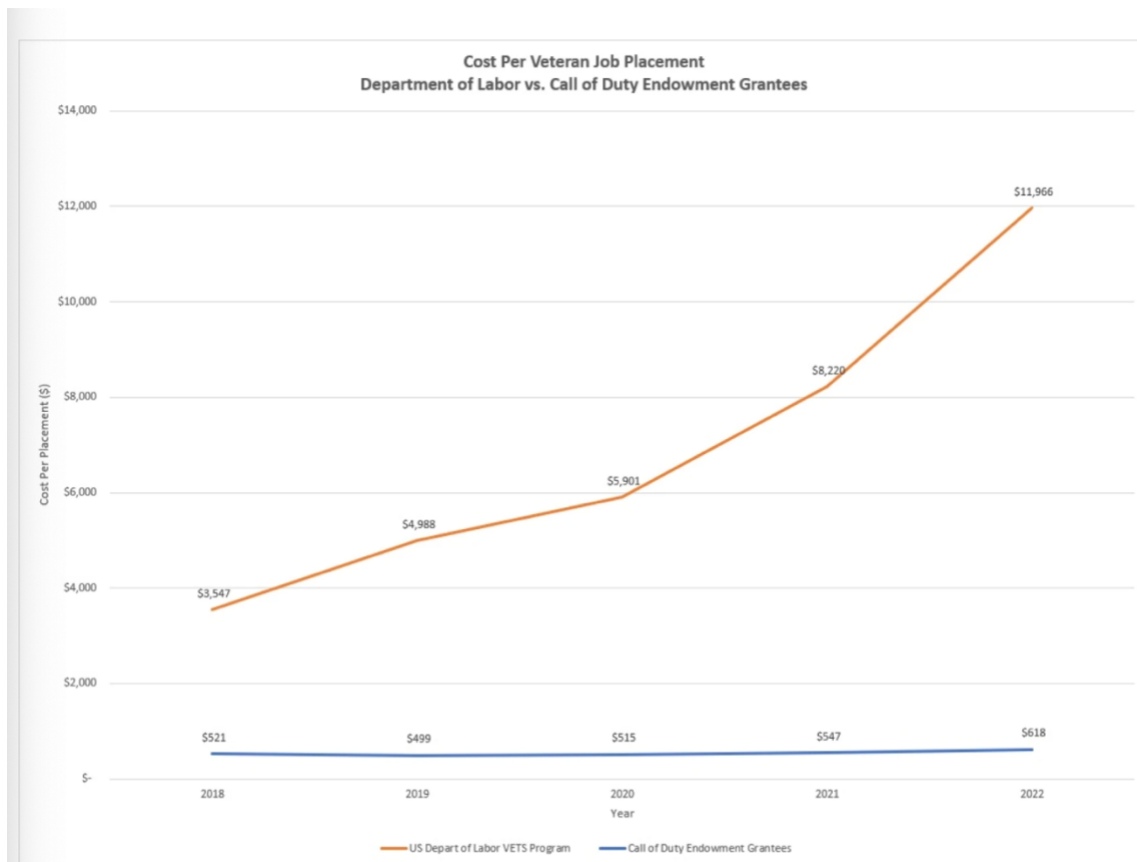
At the same time, a unified focus on measurable impact prevents a grantee from being whipsawed by donor whim.

**Trust-based philanthropy perpetuates underperforming organizations.** Without proof of performance, mediocrity becomes the standard. To achieve meaningful results, we believe a much smaller number of organizations is needed than the 36,000-plus providing services to veterans.

It's surprisingly easy for ineffective nonprofits to camouflage themselves with large donations that provide false assurance to future donors. We regularly see large grants handed to veterans-assistance organizations whose strong development operations or flashy brands make them better at chasing money than delivering results. Funding well-known but underachieving nonprofits and starving quantifiably high-performing organizations makes little sense if the goal is to help more people get the services they need.

**Philanthropy without true accountability ignores human nature and behavioral science.** In the absence of such measurements, nonprofits have little incentive to improve and are more likely to stick with outdated and ineffective programs. This allows malfeasance to sneak in and limits progress.

Ten years of data on our grantees shows that nonprofits evaluated on a quarterly basis get better over time, driving significantly improved outcomes for veterans. For instance, the average cost per placement of our grantees' work shrunk from more than \$1,200 in 2013 to \$618 in 2022, while government costs climbed to almost [\\$12,000](#) per placement. (See graph below)



CALL OF DUTY ENDOWMENT

**Trust-based philanthropy fails to recognize the value of grant maker perspective.** A donor’s 30,000-foot view across multiple grantees’ performances allows them to spot trends and provide insights that no individual nonprofit could easily discover on their own.

A well-known example is the Bill and Melinda Gates Foundation’s game changing efforts on global health. Through extensive research and data analysis of their grantees’ work, the foundation was able to help nonprofits design more effective ways to [prevent and treat diseases](#) and improve access to essential medical services in countries with high poverty rates.

**An accountability-based approach creates value for grantees.** With the data on their side, nonprofits can easily demonstrate the effectiveness of their approach to other foundations. Grantees bearing our Seal of Distinction consistently attract significant additional funding.

One key goal we share with proponents of trust-based philanthropy is the need to unburden nonprofits so they can focus on their essential work. Many grant makers ask for too much information and quickly become a burden rather than an accelerant to progress. We only ask for the data we absolutely need to make decisions, as each additional requirement of a grantee comes at a real cost to them.

For that reason, we impose our own efficacy litmus test: We remove the requirement for an existing metric before we add another one. Self-evaluation is critical for those who require it of others.

Our experience shows that the accountability principles common in the business world should be embraced rather than dismissed by nonprofits and donors. A successful for-profit company would never throw money at a project without clear goals, key performance indicators, and validation of impact. They have a fiduciary duty to shareholders that drives our whole economy.

Trust-based philanthropy is well intentioned, but largely a feel-good excuse for letting grant makers off the hook to do more than write large, unaccountable checks. For those donors who want to drive large-scale social change, the right mantra should be: “Show me the impact and then I’ll show you the money.”

*Written by Dan Goldenberg, Executive Director of the Call of Duty Endowment.*

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