



# Best Practices in Education Grant Making



2009

## **The Center on Philanthropy at Indiana University**

Every culture depends on philanthropy and nonprofit organizations to provide essential elements of a civil society. Effective philanthropy and nonprofit management are instrumental in creating and maintaining public confidence in the philanthropic traditions – voluntary association, voluntary giving, and voluntary action. The Center on Philanthropy at Indiana University increases the understanding of philanthropy and improves its practice through programs in research, teaching, public service, and public affairs. The Center on Philanthropy at Indiana University is a part of the IU School of Liberal Arts at Indiana University-Purdue University Indianapolis. The Center has academic and research programs on the IUPUI and the IU-Bloomington campuses.

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# TABLE OF CONTENTS

Table of Contents .....	3
Executive Summary .....	4
Introduction .....	7
Methodology.....	10
A Need For Change .....	11
The Landscape of Higher Education .....	12
Preparation for Higher Education .....	12
Access to Higher Education .....	13
Success in Higher Education.....	14
Barriers to Higher Education .....	14
Financial Barriers .....	15
Preparatory Barriers.....	16
Information Barriers.....	17
Philanthropic Purpose and Mission .....	19
Stakeholders .....	21
Strategy.....	28
Scholarships .....	35
Employee Giving and Volunteering.....	42
Policy/Government Relations.....	44
Geography .....	46
Use of Intermediaries/Partnerships .....	47
Evaluation of Impact.....	51
Visibility .....	59
Grants Management.....	61
Conclusion / Issues to Consider .....	66
Bibliography .....	70

# EXECUTIVE SUMMARY

## I. PURPOSE OF THE PROJECT

The purpose of this project is to identify and interpret best practices that will help inform decisions about strategies, structures, and activities for education grantmakers in the field of higher education.

## II. METHODOLOGY

To derive best practices, the Center on Philanthropy at Indiana University (Center):

- Summarized the literature on best practices in corporate and foundation philanthropy along with key issues facing the field of higher education; and
- Interviewed staff at six case study organizations to assess their experiences and practices.

## III. KEY FINDINGS

### PHILANTHROPIC PURPOSE

- **Not Static:** A general trend in foundations is to change strategy often based on new research, changing techniques, or technologies. Example: Bill & Melinda Gates Foundation's practice is to (1) Develop a Strategy; (2) Make Grants; (3) Measure Progress; and (4) Adjust Strategy.
- **Core identity:** Once understood, an organization's core identity influences how the philanthropic program is structured, implemented, managed, and measured.

### STAKEHOLDERS

- **Defining stakeholders:** Identifying stakeholders and their relative importance determines the balance of philanthropic choices to meet stakeholders' tangible needs.
  - State and federal aid programs are moving towards merit-based aid, which impacts students from middle-income families.
  - Funders focus their grant-making to meet the needs of lower-income, first-generation, underserved learners. In highlighting their programs, audiences include policymakers, legislators, and those that influence policy such as associations, media, and unions.

### STRATEGY

- **Setting a Goal:** There is a general trend in grant making and other fields to create big goals that provide focus to the overall work.
- **Leveraging Resources:** Collaborating with intermediaries, funding partners, as well as government entities, allowing for greater impact, including the ability to influence education nationally with limited resources.
- **Content Knowledge Experts:** Creating impact means developing strategic partnerships with content-knowledge experts. For example, creating advisory councils of leading

scholars to shape strategic initiatives or using intermediaries with local or issue specific knowledge to assist with investments made to the best direct-service providers.

- **Influencing Policy:** Many grant makers in education are working to influence policy in order to positively impact educational outcomes, to level the playing field across racial, socio-economic, and geographic divides, and to harness private and public financial and social support.
- **System's Change:** Education grant makers are supporting programs and initiatives that lead to transformation of the education system in order to elevate all learners, especially those underserved by the current model.
- **Promising Practices:**
  - **Scholars:** Research has shown positive results from scholars' programs, which offer large, multi-year scholarships with "wrap-around" services such as mentoring and tutoring. These programs track the result or impact of scholarships by using a control group for comparison.
  - **Employee Giving and Volunteering Programs:** Many companies are turning their attention to employee councils that review charitable giving proposals and design employee volunteering events or programs. These councils can increase efficiency and create buy-in from employees who feel connected.
  - **Community Led Change:** Programs successful in changing the education system are often community led, sometimes emanating from P-16 or P-20 councils. Many funders are investing their dollars to support these efforts.

## EVALUATION

- **Social Impact:** Creating impact means selecting the best grantees; improving the performance of grant recipients; and advancing the state of knowledge and practice.
- **Student Success through Evaluation:** Data-driven decisions lead to student success. Funders are creating programs and initiatives with measurable goals in order to help the education system evaluate better models leading to greater success.

## VISIBILITY

- **Heightening Visibility:** Funders seek to balance the goals of disseminating grants and creating a community dialogue. Visibility is focused on key stakeholders. Funders interested in creating change emphasize the need to be known in order to advance opportunities.
- **Signature Initiatives/Programs:** Gaining in popularity, signature or strategic programs focus philanthropic dollars leading to greater efficiency, measurable impact, and increased recognition with key stakeholders.

## GRANTS MANAGEMENT

- **Leadership Counts:** Effective grants management is evidenced by senior executive engagement.
- **Responsive Grant-making:** Nonprofits value transparency and approachable program officers. Thus, funders need a standard evaluation process of all grants and time for program officers to build relationships.
- **Clear and Consistent Communication:** Transparency in grant making includes clear objectives, guidelines, and deadlines that are easily accessible to nonprofits and consistent across mediums.
- **Building Internal Capacity:** Nonprofits report the value of program officers who are knowledgeable about the field they support, which leads to designated and focused portfolios.
- **Larger, longer-term and unrestricted grants:** Nonprofits report that funders that have the greatest impact on their mission give larger, long-term, and unrestricted grants.

## INTRODUCTION

The nonprofit sector is an important space in which the cultural, social, and economic divisions in society may be challenged and transformed (Schooler, 1996). Corporate philanthropy, in particular, offers an ideal means to achieve these objectives (Galaskiewicz & Colman, 2006). The missions of such programs reflect the pluralistic needs and desires of society. The pluralistic nature of such desires has thus propelled philanthropy to the center of importance in civil decision making and innovation. In the past two decades many corporations have been moved to reflect on their role within the third sector and beyond into greater societal contexts (Backer, 1999). This reflection has become a catalyst in the innovative restructuring of grant-making programs wherein corporations seek to revolutionize their approach in satisfying particular societal and contextual needs (Porter & Kramer, 2002).

Corporate philanthropy often uses corporate models of business practices in grant-making program processes (Massachusetts Business Roundtable and the Philanthropic Initiative, Inc., 2000). This strategy opposes a shot gun, reactive approach to philanthropy. Rather, it seeks to provide a deliberate, proactive mechanism of effective grant-making. This is evident in the emphasis on the development of narrowly-focused mission statements matched by strategic goals and outcome measures. In harnessing the use of for-profit business practices, corporate philanthropy programs seek to raise efficiency while heightening impact in the social context. Moreover, as with the evolution of corporate-community relationships throughout the last two decades, corporate philanthropy programs are more often implementing grant programs that reinforce community relationships and partnerships. These programs provide greater long-term impact while elevating transparency in the course of implementing social change (Smith, 1994).

Twenty to thirty years ago, corporate philanthropy was used primarily as a leveraging device to promote a positive corporate image through ameliorating contextual social problems (Smith, 1994). In contrast, today the concepts of *corporate social responsibility* and *corporate citizenship* have revolutionized corporate-philanthropic relationships (Lemay, 2004). The modern purpose of corporate philanthropy generally encompasses an attempt by companies to meld the sum of business with appreciable social benefit (Galaskiewicz & Colman, 2006).

There are three general categories of motivational factors that underlie today's corporate philanthropy: (1) stakeholder relations, (2) community obligation, or (3) strategic approach (Lemay, 2004; Young & Burlingame, 1996). Stakeholders are those actors whom are both effected by and affect corporate practices, and may include employees and their communities, stockholders and customers, interest groups, vendors, and even greater society. In the stakeholder approach, these relevant actors demand a blend and a balance of sound business practices and

philanthropic choices that are tangible to their needs (Lemay, 2004; Young & Burlingame, 1996). When community obligation is the motivation, the corporation supports the community through a sense of obligation; that is, the corporation “gives back” what the community has given to it. Finally, in the strategic approach, companies more narrowly focus on balancing and advancing social goals and business objectives (Lemay, 2004).

Considering the blending of the for-profit world with the nonprofit world in the pursuit of philanthropic action, how would a large nonprofit corporation- one that is a solid competitor - most effectively heed the call in the context of these perspectives? This question poses difficulties as there are no standard models in which either for-profit or nonprofit companies may formulate a philanthropic plan of action. Thus, it is suggested that companies ask serious questions about their ultimate goal and mission in the context of their philanthropic ideals. To achieve these goals, a corporate philanthropic program must seek to evaluate its core identity, which is defined as that which is “central, distinctive, and enduring about an organization” (Albert & Whetten 1985, as quoted in Young, D. 2001). A corporation may find itself with a weak identity through a pervasive lack of clarity of organizational structure, a fragmented understanding of the mission amongst the staff, generalized failure to expend energy and resources in defining identity, or through institutional or external change (Young D., 2001). Factors that influence identity change may include a disparity in corporate image versus public image; organizational restructuring; and political, economic, and social changes and developments.

In ascertaining organizational identity, corporations must actively assess what the motivational bottom line *really* is in their philanthropic endeavors. What does the organization seek to accomplish through its philanthropic mission? Is it business, community, society, policy, or a combination? Once motivational factors are understood, the organization can then define the core structure, strategy, and managerial and management processes of the philanthropic program. Again, there are no standard models of strategy in corporate philanthropy, but certain themes loom large and answers to certain questions are imperative:

**Focus:** Targeting the stakeholder population is the first step in constructing a sound philanthropy program. After analysis and consideration of the target population(s), the corporation must consider the nature of influence it seeks to have on these populations and the relationship that this influence will, in turn, manifest. Key questions include: Does the company seek to influence the population generally or specifically? Is the philanthropic mission relevant to what the population desires? How are the needs of the corporation balanced with stakeholder interests? Are there conflicts amongst these populations? If so, what strategies can be used to mitigate such conflicts?

**Internal Structure:** How is the giving program structured relevant to the corporation? Who are the people involved, where is their place within the organization, and what is the nature of interactive processes? Key questions include: Is there a separate foundation initiated for



corporate giving, or is the philanthropy program integrated into the organization? How does this structure contribute or impinge upon the philanthropic mission? How are finances allocated to corporate programming relevant to the key decision-makers and corporate processes? Does the staff overlap within the two structures, or are they separate? Is the CEO of the organization involved in key decisions of the philanthropy program?

**External Structure:** Does the philanthropy program partner with outside entities, which may include partnering with other nonprofit or for-profit co-funders or partnerships with grantee? What is the nature of these partnerships? Is the organization seeking greater visibility, heightened impact on mission, or monetary gain?

**Implementation:** What is the nature of the giving program? Does the company dole out sponsorships, gifts, grants or scholarships with minimal feedback expected? Or, is the program contingent on contracts with emphasis on outcomes and measurement? Is the program long-term, short-term, or a combination? How does the longevity of the program relate to its nature? Is the program highly visible or does it operate quietly? If the program seeks visibility, are cause-branding and marketing strategies involved? Does the program operate locally, regionally, nationally, or all three? What percentage of a corporation's resources is allocated toward the financing of the philanthropic program? How large or small are the philanthropic gifts in relation to the number of gifts being made and what is the relevance of the size of gifts to the program's functioning?

**Management:** How is the program managed throughout its term? Who are the key players in philanthropic decision-making: the CEO and organizational management, the Board of Trustees and sub-committees, the philanthropy staff, or other employees? What processes are involved in communicating the development of the program? What tools are used in the process of overseeing the philanthropic program? Are objectives being measured throughout, or only at the end? What is the nature of the communication between the organization and the grantees?

**Evaluation:** What devices are used to measure impact and effectiveness of a particular program? Does the corporation engage in benchmarking throughout the process, or does it utilize an end-result outcomes assessment? What are the processes used in relating grant programs to the core mission? More fundamentally, how does the organization know it has achieved success?

## METHODOLOGY

The Center on Philanthropy at Indiana University (Center), a leading academic center dedicated to increasing the understanding of philanthropy and nonprofit management, undertook a strategic review of higher education philanthropy programs between July 2008 and March 2009. The Center's research goal was to identify and interpret best practices that will help inform decisions about strategies, structures, and activities of grantmakers. "Best" does not mean that there is only one way to achieve a desired result. Rather, the goal is to identify common principles to help assess current and emerging trends in the environment in which organizations operate, determine how to position its philanthropy so that it is more meaningful, and to reaffirm an organization's philanthropic focus and long-term strategies.

The methodology included the following aspects:

The Center reviewed relevant research in three key areas: best practices in corporate philanthropy, grant-making in education, and a general overview of higher education issues and trends. Research relevant to best practices in corporate philanthropy included investigating cost/benefit ratios, recent trends and methods, and problematic areas. Research related to higher education included a review of issues related to preparation, access, and success in higher education. Other research looked at recent trends in strategic grant making; and a particular focus on the funding of scholarships.

**Case Studies:** The Center conducted six interviews and provided two staff members to conduct each interview on site to ensure accurate capturing and interpretation of information. One criterion for the selection of the case study organizations was expertise in impacting higher education through a well-defined, grant making process. Another criterion was the selection of organizations, including those outside of higher-education grant making, which have done a particularly good job at restructuring their grant-making programs to provide greater impact on their mission. Four of the six case study organizations are related to the student loan industry and two are community foundations. To protect confidentiality we refer to each case study organization by Roman numerals, case study (CS), I - VI. At times, names of programs and mission statements have been altered in this report to protect the organization's identity.

## A NEED FOR CHANGE

Refining strategy and outcome measurements are key characteristics of today's educational grant makers. In a recent survey of 150 education grant makers, an overwhelming 78 percent reported that their grant making methods and/or evaluation processes had recently changed (Grantmakers for Education, 2008). Change within these organizations reflects the larger movement in the field of education as well a general trend in foundation grant making. As new research becomes available and new technologies emerge, adjustments are made that reflect cultural, political and economic dynamics. Hence, grant makers are being more proactive, rather than reactive, strategically aligning grants to the mission, and enacting measurable objectives.

Strategy is the name of the game in effective grant-making. Thus, grantors should always reevaluate strategy effectiveness and allow for room for future adjustments. For example the Bill & Melinda Gates Foundation, the largest private foundation in the U.S., has a step-by-step process where the organization (1) develops the strategy (2) makes the grants (3) measures progress and (4) adjusts the strategy. At least two of the six case study organizations are going through a philanthropic strategic review. Case study organization III (CSIII) is in a 2-3 year transition phase to readjust its strategy. Despite grant making in this area for a number of years, grant-making was scaled back in order to conduct research; redefine goals and objectives; develop narrower strategies relevant to goals; make exploratory grants; measure the outcome of those grants; and solidify all objectives with the mission goal.

Case study organization VI (CSVI) is in a transition period in broadening their approach through making exploratory grants. This transition is coupled with an evaluation process, which will likely cause a subsequent narrowing of the grant-making approach. CSVI had been making higher-education grants for seven years in the areas of: adult literacy; college preparation, access and education for minorities; and after-school programs. In 2008, they realigned their funding priorities by reinventing programs to strengthen, expand, and diversify the variety and quality of educational access and advancement of *all* learners. CSVI's investment in a broader array of innovative and promising programs aims to acquire impact-driven knowledge to inform future practices and shape public policy.

# THE LANDSCAPE OF HIGHER EDUCATION

For every 10 students who start high school (Hunt Jr. & Tierney, 2006)

- Seven will get a diploma
- Only five will enroll in a postsecondary educational institution
- Fewer than three will complete a bachelor's degree within ten years

**In this section of the report, we briefly explore the key topics related to higher education which include preparation, access, and success in higher education along with the barriers that prevent students from higher-education attainment.**

## PREPARATION FOR HIGHER EDUCATION

Preparation for higher education includes qualified academic skills and experience, social and character skills, informational knowledge, including information on postsecondary costs and academic programs, and contextual supports.

Preparation for college begins early in life. In 2006, the University of Cincinnati's Center for Urban Education (CUE) developed a *Student's Roadmap for Success*. The roadmap shows the important milestones and checkpoints in a young person's life that provide positive evidence of progress to transition into his/her desired career. This report highlights the complex and dynamic factors that influence a child's decision to prepare for college. Factors like health and nutrition, family environment and stability, and abuse and trauma all influence a child's college and career aspiration (Center of Urban Education, University of Cincinnati, 2006).

In addition to core developmental factors, early experience in developing solid academic skills is critical in determining college readiness. Research indicates that academic performance in the freshman year of high school, in particular, is key in determining a student's eventual graduation from high school. If students are "off-track" early on, they are at a much greater risk for dropping out of high school later. Students who are "on track" at the end of their freshman year are 3.5 times more likely to graduate within four years (The Consortium on Chicago School Research, 2007). Students in Grade 12, who complete mathematics courses beyond Algebra 2, have substantially greater odds of enrolling in college (Horn & Nunez, 2000). Hence, this evidence suggests that intervention in high school and proactive measures in promoting advanced academic skills both contribute to college readiness.

Further evidence suggests that the academic strength of high schools is strongly linked to higher education preparation and, hence, success (Baird, 2006). Academically-advanced school systems tend to be situated in more affluent areas, and research has demonstrated that students in

such systems are at a considerable advantage in gaining the academic experience and logistical information needed to prepare for college compared to under-represented students in poorer communities (Vargas, J., 2004). The study, *The Silent Epidemic*, found that at least half of the high-school dropouts surveyed left school because they were not being challenged academically. A majority noted that they would have worked harder to graduate had there been more demanded of them (MTV Press, 2007).

Parental education and support of their children's pursuit of higher education are also key elements in a student's post-secondary preparation. Students of well-educated parents are at a particular advantage in cultivating such aspirations. These parents instill the values and virtues of higher education as well as logistical support for their children. Parental support is tightly linked with socio-economic status (Vargas, J., 2004).

Other studies have found that engagement in negative behaviors early on in a student's high-school career, for example, skipping school, may lead to low achievement and higher drop-out rates (The Consortium on Chicago School Research, 2007).

### ACCESS TO HIGHER EDUCATION

Access to education considerations include the availability and usability of information regarding higher education costs, requirements, and programming by prospective students. It is also influenced by actual access to the finances necessary in covering all higher-education costs, including tuition, board, books, and other living expenses. There are also a myriad of other contextual variables, including social supports, socio-economic, family and socio-cultural dynamics that influence access to education.

The financial aid system, with processes and ability to provide adequate resources, has a powerful influence on a student's access to education. The complexity of the financial aid application and the plethora of grants and scholarships add to the cumbersomeness of this process. The complexity of the application process is particularly important. One researcher suggests that state aid is more powerful than federal Pell grant assistance in bolstering access to higher education, because information regarding applying to state aid is more readily accessible and decipherable. Moreover, certain minority populations seem to be particularly sensitive to state aid assistance in access to higher education (Baird, 2006).

A student's demographic makeup is another strong influence on their access to higher education. Research has suggested that low enrollment of certain racial populations into higher-education institutions is linked to the diverse and, often, disenfranchised socio-economic environment from which these populations derive. K-12 schools within low-income geographic areas often suffer from budget constraints. Budgetary constraints affect the level to which these schools are able to provide students with the academic experience and logistical information needed for postsecondary education enrollment (Vargas, J., 2004).

Family and cultural dynamics influence college enrollment according to levels of encouragement, resources and expectation regarding higher education (Baird, 2006). Moreover, there is strong interaction and correlation with a student's cultural and ethnic background and socio-economic status in influencing their decision to attend college. One study has shown that racial background strongly influences the financial decisions necessary for college enrollment and success. Some populations have a psychological and cultural perception that any debt is negative. For example, it was found that Asian and Hispanic students are much less likely to borrow funds for postsecondary education than White students when all other factors were held constant (Institute for Higher Education Policy and *Excelencia* in Education, 2008).

### SUCCESS IN HIGHER EDUCATION

Success, or retention, in higher education is defined as securing some formal postsecondary degree. While success in higher education is contingent on the factors of preparation and access, achieving student retention is an important consideration. A student's retention in higher education is confronted by unique variables unlike those experienced when preparing or applying to college. Achievement and the ability to sustain coursework are areas often affected by social and familial supports, finances, and personal characteristics and skills.

During the freshman year of college, studies have shown that financial aid that includes work-study has a positive impact on persistence in college. College orientation courses and first-year seminars, which orient students to college life, have been shown to enhance retention of students to at least their sophomore year. In general, students are also more likely to stay in college if they can master stress management skills to cope with college. In addition, autonomy in decision-making, understanding how to prioritize, and self-responsibility all positively affect grade point averages (Sidle, 1999; Students 'Swirl' Their Way to Four-Year Degrees, 2005; Williford & Chapman, 2001)

Finances and access to financial aid impacts students throughout their college years. There are many dynamics in any individual's life that can affect his finances, as well as financial aid eligibility. Getting married, having children, or other familial changes all lead to changes in finances which, in turn, affect retention in college. Cultural and social factors also impact the importance that the family places on a student's ability and decision to stay in college.

### BARRIERS TO HIGHER EDUCATION

Barriers to higher education have been well researched, and it has been found that there are at least three logistical barriers to postsecondary access. Logistical barriers include financial, academic preparation, and information about getting into college. These barriers reflect the financial aid system, inter-system processes of higher-education institutions and government, and the K-12 education system. Other barriers reflect issues relevant to the underlying sociological,

psychological, cultural, and political systems. All of these barriers interact to create complex, individual-specific issues in the realm of higher education access.

## FINANCIAL BARRIERS

Financial barriers include all informational and logistical factors relevant to a student's access to the resources necessary to prepare, attend or succeed in college.

### *Cost*

The Commission on the Future of Higher Education found that “there is no issue that worries the American public more about higher education than the soaring costs of attending college,” (p. 19). Affordability has always been a concern and barrier to higher education, but the problem has worsened over the last several decades. Between 1976 and 2005, costs have risen by 270 percent (adjusted for inflation), while median family income has only increased by 23 percent (College Board, 2008). Over the past decade, published tuition and fees have risen at an average rate of 4.2 percent per year, after inflation, at public, four-year institutions, compared to 4.1 percent in the preceding decade and 2.4 percent from 1978-79 to 1988-89 (College Board, 2008). Average tuition and fees for in-state students at public, four-year colleges and universities in 2008 was \$6,585, which was 6.4 percent higher than in 2007. An average total charge, which includes tuition, fees, room and board in 2008 was \$14,333, a 5.7 percent increase over 2007 totals (College Board, 2008).

### *Financial Aid Policy and Accessibility*

While student aid has risen significantly, it has not been enough to keep up with tuition increases. In addition, many existing financial aid policies have shifted emphasis from low-income students to middle-income students. The College Board reported on the net price of college per student, which is the cost of college less grant aid and tax benefits. It was

indicated, “On average, full-time students receive about \$10,200 of grants and tax benefits in private, four-year institutions, \$3,700 in public, four-year institutions, and \$2,300 in public, two-year colleges” (College Board, 2008). Over the past decade, the inflation-adjusted increase in the average net price at private, four-year colleges was 22 percent, compared to a 27 percent increase in average published prices. The changing distribution of income has also had a significant influence on the ability of families to pay for college (College Board, 2008).

The availability of financial aid in satisfying unmet financial need is an additional consideration for students today. Unmet need is defined as the out-of-pocket cost for college after all grants, loans, and scholarships have been paid. As tuition costs rise along with the cost of living index, more students and their families lack the ability to balance living expenses with college cost. Moreover, given the current economic climate, students and their families are experiencing

greater overall debt. Such pre-existing debt is a substantial barrier to college retention (Institute for Higher Education Policy and *Excelencia* in Education, 2008; Long & Riley, 2007).

### ***Student Demographics, Debt and Financial Aid***

Independent, non-traditional students, such as returning adults and single-parents, are uniquely affected within the area of college retention. Independent students often work outside of school and have familial responsibilities that take away from time needed to focus on school.

Individuals from certain racial and ethnic groups, in offsetting financial aid debt, also tend to work while in school. As a result, these populations are more likely to attend college part-time. As research shows, part-time attendance is more highly correlated with dropping out than full-time attendance (Institute for Higher Education Policy and *Excelencia* in Education, 2008).

An additional, nuanced factor in affecting part-time attendees who work is the impact on financial aid eligibility. This leads to a double-edged sword, of sorts. Students who need to work while in college are at a disadvantage when it comes to financial aid, as any income decreases eligibility thresholds. The decrease in eligibility threshold often translates into a higher amount of unmet need (Long & Riley, 2007). Hence, students who work often have a greater amount of out-of-pocket expense than students who do not work. This circle of burden often leads to students taking one class at a time over the course of several years or drop-out completely (Long B. , 2009).

## **PREPARATORY BARRIERS**

### ***Quality of Life and Family Dynamics***

Researchers at the Cincinnati Center for Urban Education (CUE) reported in *Student's Roadmap for Success* that inadequate prenatal care, high rates of family transience, frequent shifts in foster homes, insufficient nutrition, trauma and injuries from domestic violence, and even medical issues can all hinder student success (Center of Urban Education, 2006).

### ***High School Completion***

Only 77.5 percent of all Americans in 2005 earned a high school diploma and this figure has decreased from 1980 levels. High school graduation rates for minority groups are significantly different than for Whites. In 2005, only 69.1 percent of African American and 72.3 percent of Hispanic students graduated from high school. Students are also taking longer to complete degrees or are, alternatively, reverting to GED attainment. Students' geographic contexts, combined with racial background, also lead to differentiated graduation outcomes. For example, 93 percent of White students in Kansas graduated while only 79 percent of their African American counter-parts had (National Center for Public Policy and Higher Education, 2008).



### ***Academic Preparation***

Research has found that only 34 percent of students who do graduate from high school possess the skills and qualifications necessary to attend postsecondary institutions without remediation (Green & Winters, 2005). However, new research has shown that most states are showing improvement in preparing students for traditional college or university through enhanced science and math curriculum. Nevertheless, states are failing at initiating advanced courses in K-12 math and science: these are the courses that correspond highly with college preparation. Moreover, states have not yet implemented a national standard assessment of high school achievement. Such an assessment would advance the understanding of students' cumulative knowledge at the high school level to compare with higher education standards. This valuable information could lead to new policy in filling the education gaps between high school and college (National Center for Public Policy and Higher Education, 2008).

### ***Family and Cultural Dynamics***

Students from low-income families often lack the perception that they are entitled to higher education opportunities and lack the necessary financial and logistical information in preparing for college. Moreover, such parents may not understand how to assist their children in effectively selecting the courses needed for college admittance. Hence, low-income students within a low-income, geographical contexts are at substantial disadvantage in college preparation (Vargas, J., 2004).

## **INFORMATION BARRIERS**

### ***College Application***

Attending college requires a complex set of steps over a period of time. Applying for college involves the understanding of how to connect high school coursework with college aspirations, entrance examination testing, college selection, and the application process (Vargas, J., 2004). A few studies have found that prospective students with certain demographic characteristics significantly lack information regarding the college application process. Researchers have found that low-income, minority, and first-generation students are all at a significant disadvantage in gaining quality information on the processes of applying for college (Horn, Chen, & Chapman, 2003; Vargas, J., 2004). The parents of first-generation students lack knowledge regarding how to navigate the application process. These students must rely more heavily on guidance counselors and outside support. If the educational system or community in which they reside are lacking in such supports, these prospective college students are at a significant disadvantage (Vargas, J., 2004).

### ***College Cost and Financial Aid***

Students and parents living within the lower, socioeconomic stratum are also at a disadvantage regarding assessing information on paying for college. Long and Riley (2007) suggest that the financial aid system is too complex for some students to navigate. Those students whose parents have not gone to college and who attend high schools with inadequate guidance structures are particularly limited on information necessary for proper navigation through the financial aid system. Vargas (2004) reports that underrepresented populations are generally misinformed regarding the costs associated with paying for college. These populations tend to underestimate the amount of aid they are eligible for and to overestimate costs. This misinformation directly corresponds with the lack of student aspiration and preparation for college within these demographic categories.

# PHILANTHROPIC PURPOSE AND MISSION

## PHILANTHROPIC PURPOSE: CASE STUDY ORGANIZATIONS

For nearly all case study organizations, grant making was at the core of their philanthropic mission. For a few case study organizations, however, philanthropy was only part of their overall strategy to fulfill their mission. Discussions with case study organizations revealed that how funders define themselves directly impacted their strategy, method of grant making, type of grants made, level of involvement with their grantees, and measurements of impact.

CSIII is a good example of how self defining affects mission and strategy. They began a visioning process by thinking about their organization's values which are learning, foresight, innovation, equity, social justice, courage, sustainability, and organizational excellence. This led to defining their work as being a "*connector of the dots between breakthrough innovations and the larger system and community*," in addition to being "*innovation engines*."

The implications for grant making are that CSIII:

- Takes risk on learning new innovation;
- Connects innovative ideas to "on-the-ground" platforms;
- Leverages resources by connecting successes with other funders/partners; and
- Advocates for the lessons learned by impacting policy.

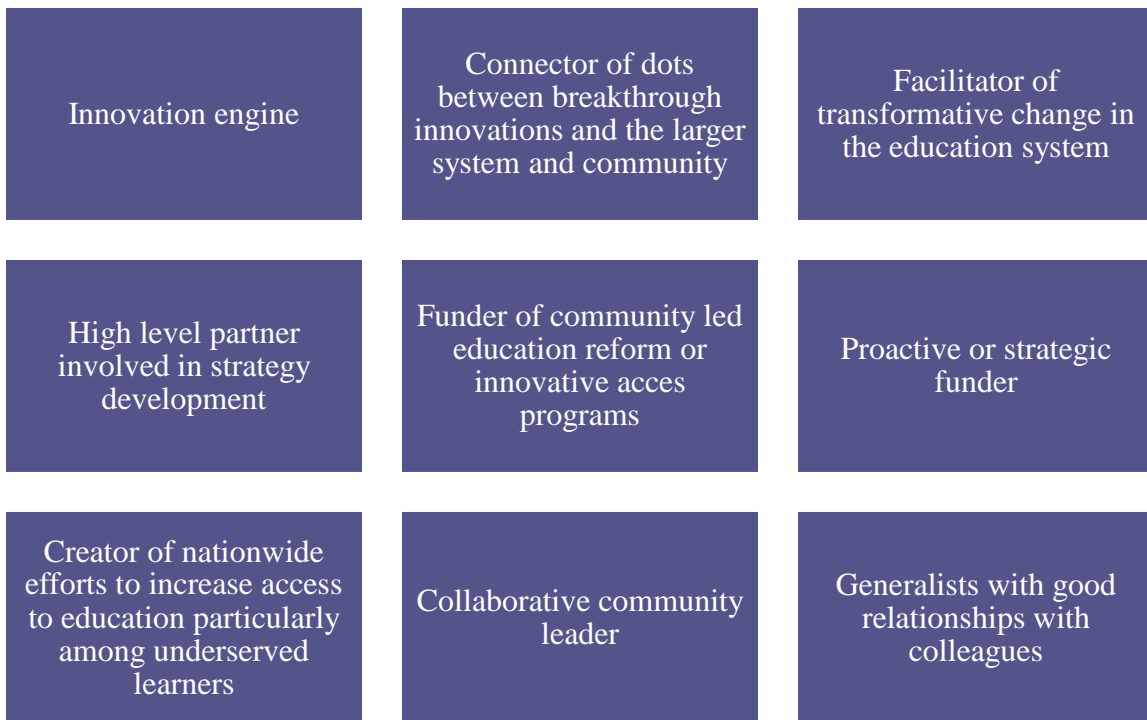
Moreover, CSII's connection and interaction with the community also implies that they are not simply

- An effective intermediary, or
- A manager of other people's "big ideas."

This has influences their grant making. CSIII operates an "incubator model," meaning that the organization operates initiatives to success and spins them off in the creation of new organizations. CSII's grant-making approach involved the seeking of new opportunities to fund and having a high level of involvement with grantees. Further, its initiatives are data driven with the evaluation of impact integrated throughout.

Contrasting with CSIII, CSII with CSV each sees itself as a high-level partner involved in strategy development. This has translated to placing a high value on partnerships and the leveraging of resources. However, the organization places less emphasis on creating innovative solutions. Hence, the organization does not fund research and is less data driven in the creation of systems change. Both funders, however, make grants to innovative programs that have policy implications.

**FIGURE 1: CORE IDENTITY - HOW FUNDERS SEE THEMSELVES**



# STAKEHOLDERS

## STAKEHOLDERS: LITERATURE REVIEW

Stakeholders are those influential actors on whom organizations depend in order to operate. The stakeholder has certain expectations regarding what the organization or corporation ought to be doing within the larger context of the business world. Often, however, there is an underlying tension between the organization and the stakeholder. Moreover, there may also be tension amongst all stakeholders who are influenced by the organization. It is essential that organizations appropriately define and target the stakeholders they seek most to influence in order to develop a focused strategic plan. Further, defining the stakeholder population also means balancing organizational goals with the totality of stakeholder goals (Committee to Encourage Corporate Philanthropy, 2008).

There are multiple stakeholders in whom grantmakers in higher education should consider in the course in a strategic plan. These stakeholders are:

- Students/Parents
- Institutions of Higher Education and Financial Aid Offices
- Federal Government
- State Higher Education Commissions
- Communities in which the organization conducts business
- Employees
- Communities in which the organization employees work and live

## STUDENTS AS STAKEHOLDERS

As indicated in the *Landscape to Higher Education* section of this report, certain populations are at a disadvantage regarding preparation, access and success in higher education. These populations include low-income, certain ethnic and racial populations, first-generation students, and non-traditional students (single parents and returning adults). In this next section, we report on the demographic landscape of higher education, the corresponding factors implicated and revealed in this analysis, and a refinement of the concept of the student as the stakeholder.

## HIGHER EDUCATION ATTAINMENT AND RACIAL/ETHNIC DEMOGRAPHICS

Analysis of enrollment and attainment is an important consideration when addressing access to higher-education issues. Some studies have found that of those that graduate from high school, 73 percent of Whites, 56 percent of African Americans, and 58 percent of Hispanics enroll in college the next fall (Snyder, Dillow, & Hoffman, 2008). Cross analysis of college access and college attainment according to race, in particular, is crucial in ascertaining gaps in post-secondary success. The chart below outlines college enrollment and college attainment to determine if racial and ethnic minorities are proportionately represented.

**TABLE 1: 2006 HIGHER EDUCATION ATTAINMENT ACCORDING TO RACE BY POPULATION PERCENTAGE**

Race/Ethnicity	Percentage of College Enrollment (2005)	Percentage of Total Degrees Earned	Percent Difference Enrollment vs. Attainment	Total Percentage of Population	Percent Difference Percent of Population vs. Degrees Attained
African American	12.7 %	9.0 %	- 3.7%	12.3 %	- 3%
Asian/Pacific Islander	6.5 %	7.1 %	+ 0.6%	4.4 %	+ 3 %
Hispanic	10.8 %	6.5 %	- 4.3%	14.8 %	- 8%
Native American/ Alaskan Native	1.0 %	0.7 %	+ 0.7%	0.0 %	+ 1 %
Nonresident Alien	3.3 %	9.6 %	+ 0.6%	3.3 %	+ 6%
White	67.0 %	67.1 %	+ 0.1%	66.4%	+ 1%

Note: Figures are rounded, Degrees include Associates through Doctorate)

Source: (National Center for Education Statistics, 2009)

- White, African-American and Native American enrollment in higher education correlates with corresponding population percentages. However, Hispanics are underrepresented in higher education by a 4.3 percent margin. Asian and Pacific Islander enrollment, however, exceeds population percentage in college enrollment by 2.1 percentage points.
- Despite some differences in enrollment according to race, it appears that the percentage of college enrollment by race generally corresponds to the percentage of the population by race, with the exception of the Hispanic population. Thus, access to education, in terms of enrollment, is more than a factor of race alone.
- African-American and Hispanic college success rates are significantly lower than enrollment rates. For Hispanic populations, in particular, there is a double impact of low enrollment and low success rates in higher education.

It appears that the Hispanic population, especially, experiences barriers to higher education that are race sensitive. However, socio-economic considerations must certainly be a factor. Further

analysis of socio-economic factors according to race is necessary in untangling the net of barriers which these populations face. Table 2 examines socio-economic demographics by race and ethnicity.

**TABLE 2: MEDIAN INCOME AND POVERTY RATES BY RACE/ETHNICITY, 2006**

<b>Race</b>	<b>Median Household Income</b>	<b>Percentage Population Living in Poverty</b>
African American, Non-Hispanic	\$ 31,969	24.3%
Asian/Pacific Islander	\$ 64,238	10.3%
Hispanic	\$ 37,781	20.6%
Native American/Alaskan Native	Data not available	Data not available
White, Non-Hispanic	\$ 52,423	10.3%

Source: (United States Census Bureau, 2007)

- This information is quite illustrative for the purpose of delineating access to education according to socio-economic status and race. Asians/ Pacific Islanders have the same rate of poverty as Whites. However, Asians/Pacific Islanders also have the highest median income and the highest enrollment rate in higher education relative to population proportion.
- The Hispanic population has twice the poverty rate as the White population, as well as lower enrollment rates.
- Enrollment in higher education correlates with income when tied to race. As income rises the percentage of higher-education enrollment rises. There is an exception with the Hispanic population, however. Despite a higher median income level than the African-American population, this group's college success rate is 2.5 percent less. Thus, it may be that for all populations, except for the Hispanic population, success rates are contingent on socio-economic status and not racial status. Hence, any program directed towards the Hispanic population ideally would be aimed towards both the socio-cultural and socio-economic barriers to access and success in higher education.
- The African-American population statistics reveal that a quarter of the population lives in poverty. Because the African-American population lags 3 percentage points behind degree attainment relative to population proportion, it is important to analyze socio-economic factors within this particular population.

In Table 3 we further explore socio-economic status and race by factoring in age.

**TABLE 3: POVERTY RATES BY RACE AND AGE**

<b>Age Demographics</b>	<b>Percentage of African-American Population Living in Poverty</b>	<b>Percentage of White Population Living in Poverty</b>
Age 0-18	33.4%	14.1%

18-24	27.5 %	15.9%
25-34	23.1%	10.7%
Aggregate	24.3%	10.3%

Source: (Population Reference Bureau, 2009)

Table 3 reveals that many young African Americans in particular live in poverty. For African-American children, the poverty rate is nearly 9 percentage points higher than the aggregate poverty rate for young (under 35) African Americans as a whole. Furthermore, the poverty rate is close to or more than double that of White youth, depending on age. Thus, African-American youth are at a striking disadvantage regarding access and success in higher education given these poverty rates and other research which indicates the correlation between enrollment and socio-economic status.

## HIGHER EDUCATION ATTAINMENT AND SOCIOECONOMIC CONSIDERATIONS

### *Demographic Differences*

Of those students who graduated from high school, only 43 percent of students whose family income was less than \$30,000 immediately enrolled in a postsecondary institution, whereas 75 percent of students from households with an income of \$50,000 or more enrolled in college (Long & Riley, 2007). The difference in income spans across ability level of students. Of important note, low-income, high ability students attended college at a rate equal to high-income, low-ability students (Advisory Committee on Student Financial Assistance, 2001).

### *Financial Aid and Socioeconomic Status*

Researchers Bridgett Long from the Harvard Graduate School of Education and Erin Riley found a recent shift in financial aid away from providing access to college for lower income students towards defraying the cost of college for middle- and higher-income households. They found that loans, merit-based aid, and education tax breaks are replacing need-based aid. The decline in grants disproportionately impacts low-income students and students of color because they are more likely to face unmet financial needs, even when taking into account grants, loans, and family considerations (Long & Riley, 2007).

### *College Cost and Financial Burden*

The financial burden of paying for college has been increasing over the last two decades. While it may seem obvious that low-income students and their families bear a higher burden in paying for college, the costs as of late are rising more sharply. Hence, today's low-income population is at an even greater disadvantage (see Table 4). The net college costs, including tuition, room, and board minus financial aid, was 55 percent for the lowest- income students. The 2008 Digest of Education Statistics reveals that the overall price for attending college rose by 28 percent



between 1997 and 2007 (National Center for Education Statistics, 2009). In 2007, the average annual price for attending a public undergraduate program stood at \$11,034 (including room and board), while the price for attending a private institution stood at \$28,384 per annum. Over this ten-year time frame, the price for attending a public school rose by 32 percent while the price for attending a private institution rose by 22 percent (adjusted for inflation).

**TABLE 4: NET COLLEGE COSTS AS A PERCENT OF MEDIAN FAMILY INCOME**

At public four-year college and universities	1999-00 (%)	07-08 (%)	% point increase
Lowest income quintile	39	55	16
Lower-middle income quintile	23	33	10
Middle income quintile	18	25	7
Upper-middle income quintile	12	16	4
Highest income quintile	7	9	3
A public two-year college and universities			
Lowest income quintile	40	49	9
Lower-middle income quintile	22	29	7
Middle income quintile	15	20	5
Upper-middle income quintile	10	13	3
Highest income quintile	6	7	2

Source: (The National Center for Public Policy and Higher Education, 2008, p. 8)

### ***Financial Aid Availability***

Financial aid availability is crucial for access to college education for the majority of college students. For the 2003-2004 academic year, 63 percent of all undergraduates received some form of financial aid. During that time, an average of \$4,000 in grants was awarded to undergraduate students, while the average amount borrowed in loans totaled \$5,800. Fifty-one percent of undergraduate students received grants and one-third received student loans. Grants distributed were most likely to come from the Federal Pell and Federal Supplemental Educational Opportunity Grants. Other grants were awarded through educational institutions (18 percent), the state (15 percent), and another 15 percent from a variety of other sources (NCES, 2005).

### ***Federal Funding of Financial Aid***

Generally, federal funds appropriated for education increased 64 percent from 2000-2006 for all categories (primary to post-secondary and other categories). While funding for post-secondary education stagnated throughout the late 90's, it began to rise throughout the last seven to nine years. Hence, the rise in federal funding reported between 2000 and 2007 was a staggering 102 percent (NCES, 2009)

Total funds provided through the federal system, off budget, increased 288 percent in constant dollars from 1990-2007. In 2007, in particular, post-secondary federal allocations totaled \$36.6 billion. In 2006, educational institutions received the largest bulk of federal funds at 64 percent, while students seeking post-secondary degrees received 11 percent. In 2007, the U.S. Department of Education, in particular, allocated \$13.5 billion (19 percent) to postsecondary institutions and \$13.7 billion (19 percent) to postsecondary students (NCES, 2009).

### ***Higher Education Attainment and Gender***

College degree attainment by women outpaced men in the 2002-2003 academic period with 58 percent of all degrees awarded to women. The breakdown of this percentage includes: 60 percent of all associates degrees, 58 percent of all BA degrees, and 59 percent of all Master's Degrees (NCES, 2005).

**TABLE 5: DEGREE ATTAINMENT OF WOMEN BY RACE, 2003**

Race/Ethnicity	Percentage who Earned Degree
African American	67%
Asian/Pacific Islander	55%
Hispanic	61%
Native American/Alaskan Native	63%
White	58%

Source: NCES, 2005

### **HIGHER EDUCATION ATTAINMENT AND NONTRADITIONAL STUDENTS**

While the population of younger adults, aged 18-25, has increased over the course of 15 years between 1990-2005, the Digest of Education Statistics (2005) anticipates that the percentage of older adults, over the age of 25, enrolling into higher-education programs has begun to outpace younger adult enrollment.

### **STAKEHOLDERS: CASE STUDY ORGANIZATIONS**

Case study organizations all focus philanthropic dollars on postsecondary access and success on low-income students, although there was variation around the language used to describe such students. Case Study I (CSI) focuses on first-generation college students, students from high schools with low college-going rates, and Hispanic Americans. Priority is also given for students who are unrepresented in undergraduate and graduate education.

Case Study IV focuses on adult students, students from low-income families, first-generation college students, and minority students. CSIV recognizes the dynamics of working to satisfy

multiple stakeholders. However, this organization focuses on the low-income student as the primary stakeholder. This organization's target audience is policymakers and state legislators, while the impact of mission goals is on students and their families.

CSIII identifies schools, students, teachers, and parents as stakeholders. The goal of the grant-making program is to influence and inform the community, state, and nation issues on postsecondary education. Thus, grant making is aimed towards policymakers, legislators, and community leaders. Grant making is also aimed towards those who influence government and community leaders, such as unions, the media, business leaders, and other funders.

CSVII identified that nearly half of youth need an alternative pathway to higher education. This organization believes that the traditional course that students take from high school to college does not provide them with a solid footing in the ultimate attainment of a college degree. Thus, CSVII focuses on learners from lower socio-economic backgrounds who appear to be at the greatest disadvantage in bridging from high school to college.

The remaining two organizations, CSII and CSV, define the chief stakeholder as the community "at large." These organizations define their primary purpose as a developer of the local community of which education is a part.

# STRATEGY

## OVERALL STRATEGY: LITERATURE REVIEW

Grant making in education works to influence policy; to positively impact educational outcomes; to level the playing field across racial, socio-economic, and geographic divides; and to harness private and public, financial and social support. Excellent grant making in education begins by gathering knowledge regarding the gaps in access and success; first, by targeting core areas of need, then by formulating a proactive plan of action matched by identification of observable results, and finally by the careful implementation of resources. Long-term impact requires, at times, innovation and a bit of risk (Grantmakers for Education, 2008).

As shown in Table 6, grant makers in education focus on many different education issues including high school reform, effective schools, along with family and community social supports. Approximately 60 percent of surveyed grant makers in education were addressing college access and 40 percent made grants supporting college success and retention.

**TABLE 6: FOCUS AREA OF OTHER GRANT MAKERS**

Percentage of funders supporting:		Key Education Issues:	
Public Schools or Districts:	68%	High School Reform, College or Career Readiness:	68%
Public Policy, Direct or Indirect:	66%	Effective School/District Leadership:	62%
General Operating Support:	57%	Family Community and Social Supports:	62%
Support of Community Organizing:	50%	Math/Science/Technology Knowledge Funding:	61%
		College Access (financial or non-financial):	59%
		College Success and Retention:	40%

Source: (Grantmakers for Education, 2008)

## CHARACTERISTICS OF EFFECTIVE GRANT MAKERS IN EDUCATION

### *Discipline and Focus*

The best grant-making programs focus on key, specific objectives, while allowing for some flexibility to integrate innovative ideas. Strategy in educational, grant-making programming aims, specifically and strategically, to either counter opposition to or to strengthen broader public-funding objectives. Such programming focuses on individuals, a policy, or a system, in particular. Funders must understand how to best leverage and tie organizational strengths to the purposes of the program for the greatest impact.

### *Knowledge*

Consistent intake of evidence-based knowledge and contextual knowledge is essential in educational grant making. Funders need to understand who the internal and external players are relevant to the educational system and how these players interact cooperatively or in opposition to one another. Barriers to program success, relevant to the contextual environment, must also be evaluated on an ongoing basis. Understanding what other education philanthropists are doing is also imperative. This understanding offers an opportunity for collaboration, provides greater insight on effective grant making, and assists in evaluating possible gaps in the system. Effective funders know who the leaders are in the communities in which they work and fund. Moreover, funders understand the cultural, historical and political dynamics of recipient communities.

### ***Resources Linked to Results***

Funders specify how the objectives of the program will provide fundamental change in the targeted area of education, and they match these objectives with measurable outcomes fundamentally related to the organization's mission.

### ***Effective Grantees***

Funders are selective when considering grantees and aim to support those who already have a solid operational footing. They also ensure that the program is a good fit for both participants; neither party needs to compromise their mission out of convenience. Finally, effective funders consider the requirement that grantees develop a plan of sustainability whenever applicable.

### ***Engaged Partners***

Funders consider the involvement of key stakeholders and community stakeholders in the decision-making process of grant making, as its decisions will affect both populations. Inviting local leaders, education experts, and grassroots organizers are all important considerations.

Moreover, funders seek the development of a "broad constituency," which enriches the pool of ideas and innovation working towards solutions in education.

### ***Leverage, Influence, and Collaboration***

Funders strive to use all available resources for the pursuit of the cause. They analyze current policy with the subsequent investigation of where changes need to occur. Then they assemble all usable leveraging tools including collaboration with other organizations to tackle the issues.

### ***Persistence***

Funders must balance efficiency and effectiveness in program timeframes. Effective funders ensure ample time for the fulfillment of program goals, while setting reasonable parameters of program cessation if objectives are not being met.

### ***Innovation and Constant Learning***

Funders understand the appropriate methods in the research and measurement of program goals and objectives. New methods are constantly assessed and integrated. Through research and integration of novel methods of goal development, funders develop carefully, targeted plans of program assessment both during the program and upon program completion.

Funders identify and adhere to measurable program milestones to implement assessment protocols of program processes throughout the duration of the program. Changes are made as needed as a result of these assessments on an ongoing, but structured basis.

Funders publish the results of successes and failures of grant making in an effort to advance the field of education grant making as a whole.

Funders stay transparent and connected with grantees throughout the grant contract process. While the level of communication may vary, maintaining open lines of communication enables the grantee to ask questions and provide insight with much greater security and ease. Such openness is conducive to expanding the funder's knowledge base in educational, grant-making processes.

### ***Need for Data***

Excellent postsecondary grant making requires effective, up-to-date data on higher-education systems and processes and the problems relevant to the preparation, access, and success of students. Evidence-based decisions are crucial for funders in building coalitions and public will, changing policy, and making an impact on education. Sources for quality data on education varies and is widely reported (Green & Winters, 2005; The Bill & Melinda Gates Foundation, 2008). Sources may include government studies and reports through the Department of Education website or through private, nonprofit entities such as *Grantmakers for Education*, a network of “foundations, corporate giving programs and individual donors [who] represent a diverse and experienced cross-section of grant makers who improve programs, systems and institutions from pre-kindergarten through higher education” (Grantmakers for Education, 2009).

The Bill & Melinda Gates Foundation also identifies with the need for advocacy to confront barriers and initiate innovation in college preparation. The P-16 and P-20 council committees are community advocacy groups that bring together business, government, and community leaders with the goal of strengthening the ties between K-12 education and postsecondary education. These committees work to bolster academic curriculum and work to strengthen policies that work and change policies that do not. While the committees have now expanded into at least 38 states, education researchers, policymakers and government officials have mixed feelings regarding the effectiveness of the committees (Education Week, 2008).

## **OVERALL STRATEGY: CASE STUDY ORGANIZATIONS**

Case Study I (CSI) focused on three initiatives: need-based aid scholarships (~30 percent), direct services (~60 percent), and education research (~10 percent). Need-based funding supports eligible institutions that award financial aid to qualified students. Direct services programs support access and success programs. Access programs, in particular, support pre-collegiate outreach services and enrollment for students within a targeted demographic. Higher-education success initiatives support those student services which help to increase retention, graduation, credit transfers, and financial literacy services. Financial literacy services, in particular, aim to improve debt and credit management and avoid delinquency and defaults. Funders also sponsor education research that improves college access and retention among first generation college students and students from rural communities; improves enrollment and graduation among Hispanic Americans; and reduces student loan delinquencies and defaults.

CSI concentrates their grants in one state. However, this organization has recently implemented plans to expand nationally to enhance visibility. Moreover, plans to expand grant-making efforts to support more community-based organizations, which currently receive 12 percent of program expenditures, is underway. Educational institutions, in particular, currently receive about 30 percent of program expenditures. Despite expansion efforts, CSI staff members express that the grant-making strategy is too broad. Hence, the organization is currently considering hiring an evaluator to help them narrow their grant-making focus.

CSII focuses grant making on the local community and spends \$14.5 million on educational endeavors within the public- and private preschool through post-secondary education systems. Specifically, this organization only makes grants through a community-led initiative called *Driven to Success*.<sup>1</sup> All large grants are conditioned on direct-service providers participating in the *Driven to Success* community initiative. The strategy of CSII's grant making is built around the *Student's Roadmap to Success*, developed at the University of Cincinnati's Center for Urban Education. As noted earlier in this report, the roadmap identifies key skill sets and junctions in a student's life that increase the probability that a student will succeed in his or her desired career. CSII only makes grants to organizations that facilitate students meeting these important milestones. In this way, CSII's strategy is highly focused.

One of CSII's main strategies is to collaborate with other funders to improve the educational system and postsecondary access and success. They envision that their organization is an integral component of the community's plan to improve education from the ground up and work to leverage the resources of other funders for this purpose. Within education grant making, they encourage citizen participation in advocating educational-system development and change. This organization views itself as a function of the community and builds on their community's strengths and assets.

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<sup>1</sup> Name was changed to protect organization's confidentiality.

CSII, although highly focused, also has built in flexibility within their strategic system. For example, they make smaller grants for the capacity-building of other educational nonprofits unrelated to *Driven for Success*. Moreover, CSII funds programs outside of education. For example, funds are allocated towards human services and arts organizations.

CSIII's strategy focuses on creating systems change within the realm of higher education. They are currently in the stage of solidifying their strategy aimed towards being an engine of innovation. Their current strategy aims towards:

- Continuing to build national platforms through innovation
- Identifying and investing in the strongest "learning" innovations
- Partnering with major funds and policymakers to ensure scope and sustainability of their work

In this sense, CSIII has developed an incubator model. On at least three instances, CSIII has begun an internal initiative; hired staff and funded the program; sought outside partners and funders; and then spun the initiative off into a separate, self-sustainable, organization.

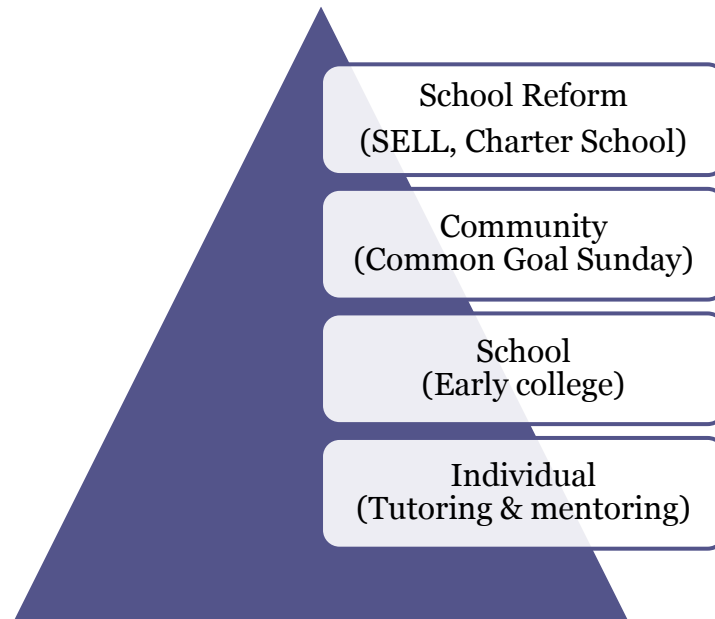
CSIV has set a highly-focused and ambitious goal of increasing the percentage of college attendance. All of their grant making is aimed towards achievement of this singular goal, thereby making their process a highly-selective and strategic process. To achieve the goal of increasing college attendance, CSIV utilizes a few strategies. First, they fund in the areas of preparation, financial aid, success, and institutional affordability. They have created signature initiatives which focus on first-generation, minority, and lower-income students. These initiatives usually start in one community but are also designed to be model programs for other communities. They leverage the program by setting parameters for the program and soliciting buy-in and support from other funders. Another strategy that this organization uses is grant making to intermediaries who use their own knowledge expertise to re-grant funds to other direct-service providers. Given the limitations of funding, a funding focuses on five key states. However, only high-potential programs that can be duplicated in other states are funded.

CSV is the least focused of all case study organizations in terms of strategy. This organization is in the process of considering the role that higher education plays in their overall philanthropic plan. The organization focused on only one community supporting community-led efforts. The strategy of this organization has four levels (see

Figure 2).



**FIGURE 2: STRATEGY OF CASE STUDY V**



CSVl’s mission<sup>2</sup> is to stimulate transformative change of public education for underserved learners. This is done by facilitating the expansion of “pathways” that enable all learners to achieve a high-quality education. Further, CSVl focuses on ensuring students obtain the skills, knowledge and the supports necessary to become self-sufficient, life-long learners. CSVl is in a transition period wherein they have broadened their approach and are making exploratory grants. These grants are coupled with an evaluation process that narrows throughout the process. This broadened focus has led to the funding of five significant programs: *Early Learning*, *Time for Learning*, *Pathways to Higher Learning*, *Adult Learning*, and *Systems Building*.

Currently, CSVl defines their strategy by delineating the questions each strategic initiative is meant to answer, and works to resolve the following questions:

1. What are the skills and knowledge necessary for success in today’s world?
2. What are the barriers to creating an effective, flexible K-14/K-16 lifelong education continuum in order to achieve these outcomes?
3. What innovations in practice and related policy advancements hold the greatest promise for moving underserved learners toward extraordinary education results?
4. For students, what does it mean to be college-ready? What do postsecondary institutions need to do to become more “ready” for the widening variety of students they serve?
5. What do we need to learn about public understanding to move the work forward?

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<sup>2</sup> Revised slightly to make the identity of the organization.

Investments made through the *Pathways to Higher Learning* initiative currently focuses on: identifying and investing in the innovative programs that increase student engagement in order to increase student achievement; the development of college-level retention programs; and the promotion of new and revised student achievement standards and accountability systems that may lead innovation concerning where, when, how, and with whom students learn.

CSVl also supports programs, organizations, research, and conferences to influence policy and to advance knowledge of public opinion toward education. CSVl does not operate programs but harnesses their resources to increase the operational capacity of other organizations.

# SCHOLARSHIPS

## SCHOLARSHIPS: LITERATURE REVIEW

### *Financial Aid*

Much of the literature on scholarship funding focuses on financial aid's impact on college enrollment and retention (Heller D. , 1997; Leslie & Brinkman, 1988). Some studies conclude that college enrollment is directly influenced by the type of financial aid received. For example, grants, as opposed to student loans or work-study, are more likely to positively influence college enrollment decisions and retention. Additionally, these studies have found that certain populations are particularly responsive to financial aid and grant eligibility, such as African-Americans, Hispanics, and low-income students in the decision to attend college and where to attend college. In other words, these students are more price sensitive than White students or middle- and upper- income students. An example of this research comes from a study of high school students in their sophomore year of college (St. John, 1990). St. John found that lower income students were twice as likely to respond to a \$100 increase in grants versus higher-income students. African-American's were 3.7 times as likely to respond to an increase in state grants spending as White students.

### *Financial Aid System*

Long and Riley (2007) suggest that the financial aid structure favors higher-income students over those in the lowest income brackets. The authors' contention is that low-income students are forced to pay relatively more out of pocket than higher-income students. Many factors play into the decision to seek and receive educational loans, and all of these factors have contributed to the rise in receipt of such loans over the course of the last 15 years. These factors include the type of educational institution, income level of the student, race, policy changes, and the economic climate.

### *Student Debt and Loan Aversion*

The percentage of student debt given student income has substantially risen over this period, representing an increase in borrowing, an increase in cost, or both. However, Long and Riley (2007) noted that such an increase in reliance on loans may not be true for all students, citing that some populations decide entirely against taking out loans. Refusal of loans despite need appears to be contingent on cultural mores, pre-existing financial distress, non-traditional student status, and college choice (Institute for Higher Education Policy and *Excelencia* in Education, 2008).

Importantly, as Long and Riley (2007) suggest, research reports on higher education access and success, relevant to student financial aid, are largely conducted through interviewing college students. Thus, such reports include only those students who were enrolled in school at the time of the study. How many individuals exist who have not bothered to acquire loans or attend college because of affordability issues? Further research is needed in assessing this particular issue.

### ***Insufficient Financial Coverage***

Long and Riley (2007) also suggest that students taking out federal loans are also increasingly taking out supplemental private loans. Importantly, such loans generally carry higher interest rates than federal loans. The supplementation of private and public loans alludes to various factors including rising college costs, consumer debt, the national economic environment, and the caps on the amount of federal student loans that may be borrowed. Insufficient federal student loans limits are also evidenced by the fact that more students are borrowing at the maximum available level.

### ***Unmet Need Demographics***

Additional research emphasize the problem of “unmet need,” or the amount of funding still needed to cover college costs after granting, scholarships and financial aid (Institute for Higher Education Policy and *Excelencia* in Education, 2008; Long & Riley, 2007). The authors provided these key facts on student’s unmet need:

- Low-income students are in the highest unmet need category, despite receiving grants, loans and other sources of aid.
- Only three-fourths of students in undergraduate institutions completed the FAFSA in 2003-2004.
- Twenty-five percent of students with a remaining need of at least \$2,000 after grants failed to apply for financial aid in 2003-2004.
- The average amount of unmet need for dependent students in 2003-2004 was \$5,567 for the academic year.

**TABLE 7: UNMET NEED OF DEPENDENT STUDENTS 2003-2004**

African American	\$4, 819
Asian/Pacific Islander	\$7,483
Hispanic	\$5,029
Native American/Alaskan Native	\$4,470
White	\$6,175

- The average amount of unmet need for independent students in 2003-2004 was \$ 5,120.

**TABLE 8: UNMET NEED OF INDEPENDENT STUDENTS 2003-2004**

African American	\$4,431
Asian/Pacific Islander	\$5,989
Hispanic	\$4,387
Native American/Alaskan Native	\$3,822
White	\$4,419

Source: (Long B. , 2009)

### ***Student Borrowing Habits that Impact Retention***

(Institute for Higher Education Policy and *Excelencia* in Education, 2008)

- Students who do not borrow their first year of college, despite substantial unmet need, are somewhat more likely than borrowers to leave college within three years without a degree.
- African American and Hispanic non-borrowers are much more likely, in particular, to leave school without a degree, 51 and 41 percent, compared to 39 and 32 percent of borrowers, respectively.
- Non-borrowers enrolled into community colleges are much more likely to drop out than students enrolled into other institutions.
- Borrowers are more likely than non-borrowers with unmet need to complete college, with a substantial higher percentage of Hispanic and African American, and Native American students leaving school compared to White cohorts. Moreover, these populations who attend lower-cost institutions are at even greater risk of dropping out.

In reducing the aversion to financial aid, The Institute for Higher Education Policy and *Excelencia* in Education (2008) suggest that policymakers and funders:

- Support high school counselors in addressing aversion early
- Increase financial literacy and emergency support with the institutional setting
- Support and implement financial aid revisions
- Address cultural and psychological barriers to reducing aversion to borrowing

### ***Merit Aid and Need-Based Aid***

The literature also documents the rising trend of state merit-aid programs, which have complexly affected students' access to education. Studies have found little evidence that merit-based programs close the disparities between socio-economic status and racial/ethnic differences in higher education (Marin, 2002; Dynaski 2000). Using strong control measures, Dynaski (2000) concluded that the GA Hope award greatly impacted the attendance levels of incoming freshman by an increase of 7-8 percentage points in 1999. However, the author found that high-income

youth enrolled at nearly a 13 percent higher rate relative to nearby states over lower-income youth, and White students exhibited a 12 percent higher enrollment rate relative to Whites in surrounding states.

The author attributed the high enrollment rate of Whites, compared to African Americans, to socio-economic differences between these populations. A larger majority of African Americans, at 94 percent (compared to Whites at 64 percent), were in the lower economic bracket. Students within the lower economic bracket were required to apply for financial aid, which then cancelled out the benefit of receiving the Hope Scholarship award. Thus, Whites, who composed the majority of the higher income brackets, reaped the largest rewards from the Hope Scholarship Program.

The socio-economic status of African Americans had a double impact on this population when it came to the merit portion of the scholarship. Socio-economic standing tends to correlate with the geographic distribution of poor performing schools. Schools in lower income areas tend to be substandard, or at least at less of an advantage than geographically-situated higher-income areas. In fact, the author reports that only 4 percent of African Americans in total met the merit-based requirement of the Hope grant. In conclusion, Dynaski (2000) found substantial evidence that African American attendance rates as well as attendance rates for all lower-to-middle income youth, stagnated during the initiation period of the Hope Scholarship Award. Although enrollment rates increased for White youth quite substantially, it appears many of these students may have gone to college anyway, regardless of the help of the GA Hope Scholarship Award. Moreover, the increased enrollment of this population further enlarged the ever-present inequality gap between Whites and African Americans and rich and poor.

### ***Impact of modified a Merit-Based Scholarship Program***

Despite the negative impact of the GA Hope Scholarship contended by Dynaski (2000), Long and Riley (2007) proffered that the GA Hope Scholarship Award is effective at least in regards to its ease in understanding. During high school, students learn the exact financial and academic requirements needed to be awarded the scholarship. Hence, students can prepare for college years in advance. Ness and Tucker (2008) analyzed high-school student's perceptions of the impact that the Tennessee lottery scholarship program would have on their decision to go to college. The TN lottery scholarship program, reformed in 2003 to broaden its aim of promoting access to education for minorities and low-income students, is an expanded form of traditional merit-based programs. This program allows for greater financial aid to merit-worthy students while also allowing for a lower threshold of achievement. This lowering of the achievement threshold is important as numerous studies have indicated that students from predominately poor and culturally diverse communities have less access to quality education. This study analyzed the degree to which high-school students were dependent on financial aid: additionally students' perception of eligibility for aid on their subsequent decision to attend college was assessed.

***Key finding of this study concluded:***

Students in households earning less than \$36,000 per year were 1.5 times more likely to report that the receipt of a lottery scholarship would influence their decision to attend college.

- Students *least* likely to report the goal to attend college were the *most* likely to report that the receipt of a lottery scholarship would affect their decision to attend college.
- College-bound African-American students were 1.5 times more likely than White students to report that receipt of a lottery scholarship would affect their decision to attend college. This is contrasted with a 65 percent increase in African-Americans with no intention to attend college who reported that the receipt of the lottery scholarship would positively affect their decision to attend college.

The author concluded that the perception of eligibility, in fact, influences the decision to attend college. The more liberal aspects of Tennessee's program are especially influential on traditionally under-represented populations. It was suggested that opening up funding for such a liberal, merit-based program may not be "efficient," but this program provides greater opportunity of success over traditional scholarship programs.

Source: (Ness & Tucker, 2008)

***Promising Programs***

The literature also uncovered promising scholarship programs (The Pell Institute for the Study of Opportunity in Higher Education, 2006). Two of these programs are supported by the Bill & Melinda Gates Foundation: the *Washington States Achievers Scholars Program* and the *Bill & Melinda Gates Millennium Scholars Program*. In both instances, these programs are focused on a target population, offer substantial dollar amounts, and provide secondary wrap-around services.

The Washington State Achievers Scholarship program has shown very positive results. The Achiever's program currently consists of 3,340 Scholars who were selected from 16 high schools with high rates of low income students. Junior-level students apply to the program and criteria are: Active college academic preparation as evidenced by classroom involvement and college outreach; intentionality in applying to a private or public school four-year college or university located in the state of WA; and the lowest one-third of the family income bracket in WA. In 2006-07, the maximum scholarship was \$4,350 for those attending two-year institutions and \$9,700 for those attending four-year institutions. Students in crisis are given the flexibility of deferring the scholarship for one year (The Pell Institute for the Study of Opportunity in Higher Education, 2006).

Some of the results of the *Achiever's Program* include:

- Increased in student enrollment by 14 to 19 percentage points, after controlling for family background, school characteristics, aspirations, and educational experiences in high school.
- A majority of *Achievers Scholars* started on the direct path to the baccalaureate by enrolling in four-year institutions. Almost two-thirds of *Achievers Scholars* (62 percent) enrolled in four-year institutions compared to only 27 percent of low-income students nationally.
- Higher attraction rate of minority students compared to the state average.
- *Achievers Scholars* have higher degree attainment rates relative to low-income students nationally (36 percent versus 15 percent, respectively). While the initial cohort had not yet completed their educational program at the time of the study, it was anticipated that 59 percent of the first cohort would graduate, which is nearly double the national rate (The Pell Institute for the Study of Opportunity in Higher Education, 2006).

There are other unique features of the *Achievers Scholars* program which may contribute to its success. Students are not selected on the basis of academic performance in high school (GPA) or on pre-college entrance exams. Rather emphasis is placed on students' social environment, self-perception and experience. A positive self-concept and realistic self-appraisal, long and short term goals, ability to navigate social systems, strong interpersonal support, community service, leadership skills, and academic field knowledge all contribute to qualifying for the scholarship.

Recipients are selected in the spring of their junior year and participation begins with attendance at the Achievers College Experience (ACE) between their junior and senior year of high school. The ACE is a four-day summer program held on a college campus. The program provides information and resources that are needed to be successful college applicants. Scholars are also paired with a "Hometown Mentor" by the start of the senior year, who works with the scholars to address college admissions and financial aid through the first two months of college (The Pell Institute for the Study of Opportunity in Higher Education, 2006).

The Bill & Melinda Gates Foundation has another Scholars program, *The Gates Millennium Scholars Program*, which has awarded more than 12,000 scholarships to "high ability," low-income students of color. Unlike the *Achiever's Program*, Millennium Scholars are found in all 50 states and five outlying areas. The program is managed by the United Negro College Fund (UNCF) with assistance from the American Indian Graduate Center Scholars, the Hispanic Scholarship Fund, and the Asian & Pacific Islander American Scholarship Fund. Similar to the *Achiever's Program*, Millennium Scholars are awarded funding to cover unmet financial need and are supported through wrap-around services. These secondary services include mentoring, online internship information, fellowships, and scholarships. *The Millennium Scholars Program* has been very successful, boasting a 77.6 percent college graduation rate for its Scholars.



## SCHOLARSHIPS: CASE ORGANIZATIONS

Most funders interviewed do not utilize scholarships as a strategy in higher-education grant making. In two cases, the funders manage scholarship programs for individual donors. Specifically, CSIII, CSIV, and CSVI do not fund scholarships. These organizations believe scholarships are an ineffective strategy when implemented in a “traditional” manner. For CSVI, the overall strategy is to change the education system to benefit all students. Therefore, scholarships are deemed unable to induce system change. CSII and CSV only fund scholarships according to donor choice. CSV issues scholarships, but has set a restriction that all scholarships total at least \$2,000. CSV believes traditional scholarship programs do not have the desired impact of increasing college attendance. CSV provides that the best scholarship programs have the best characteristics:

- Provide gap funding (for example for room and board and payment of books)
- Include wrap-around services that provide other forms of support such as mentorship
- Work within the context of a state scholarship program. For example, a scholarship program in Georgia must be linked to the HOPE Scholarship program and a scholarship program in Indiana must be designed to complement the new Academic Honors diploma

The only organization that funds scholarships as part of their grant-making strategy was CSI. This organization awarded \$2 million in scholarships in 2008 to enhance access to education for needs-based students. CSI, in particular, aims to fill in the gaps of students’ unmet need. Therefore, the amount of the scholarship is based on the amount of unmet need according to each individual student. The assessment of need is tied directly to the FAFSA form,<sup>3</sup> hence, the capped award is based on the median amount of unmet need (~\$4,300). A secondary goal of CSI’s scholarship program is student retention, which is open to all students.

Some case study organizations contract with other organizations in tracking the impact of scholarships. For example, CSV uses the National Student Clearinghouse which verifies student enrollment and degree attainment. This organization also builds a knowledge-base of scholarship impact by measuring enrollment and the degree-completion rates of CSV-recipient students against other scholarship programs to assess impact.

All but one case study organization uses Scholarship America to process and manage scholarships. Utilization of Scholarship America differs across the case study groups. Some use this organization to manage all aspects of scholarship programming and others use them only post-award.

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<sup>3</sup> It should be noted that one of the issues raised with using the FAFSA form is that it doesn’t take into account a student’s changing need over the year, and therefore, may not be a true reflection of unmet need.

# EMPLOYEE GIVING AND VOLUNTEERING

## EMPLOYEE GIVING AND VOLUNTEERING: LITERATURE REVIEW

### *Employee Giving Programs*

One study revealed that approximately 10 percent of all corporate contributions are towards matching-gift programs. The typical rationale that corporations have for instituting a matching-gift program is to attract, retain, and motivate the best employees. Investment in employees enables companies to contribute broadly across numerous regions without the overhead of a centralized allocation process. However, generally, little research exists on the actual effect of these programs on employee recruitment or retention. Employee participation in corporate giving programs is typically low at 10 and 30 percent of employees. While there is some postulation that these low percentages have little effect on employee recruitment and retention, some research suggests that these programs matter greatly to a small number of employees, typically senior executives who give large amounts (Peterson, 2004).

For many companies, matching-gift programs grow to consume a large percentage of the total contributions budget. Large allocation of grant-making towards employee programs grows over time and is often indicative of the success of such programs within the community. Research reveals that employee philanthropy programs have a positive impact on consumer and employee loyalty. Despite the success of some employee-giving programs, some organizations should approach such programs with caution. As employee-giving programs grow, they may limit the overall philanthropic agenda and budget. Moreover, the elimination or curtailment of such programs may have detrimental effects on employee morale (Rochlin, 2000; Walker Information, 2001).

#### Trends in Employee Matching-Gift Programs:

- Strategic alignment of an employee matching-gift program with philanthropic mission goals. Employee gifts are geared towards the fulfillment of the specific philanthropic agenda
- Limitation of employee gifts to full-time employees or subpopulations to minimize cost
- Outsourcing of the administration of the employee matching-gift program
- Establishment of a “cap” on the dollar amount to be matched or adjustment of the percentage matched. Some companies match gifts on a first-come, first-serve basis until the budget amount has been exhausted

### *Employee Volunteer Programs*

Employee volunteer programs are company-sponsored initiatives that encourage employees to volunteer within their community.

Examples of employee volunteer programs include:

- Company paid programs wherein the company allots employees a certain number of paid volunteer hours per year
- Company-sponsored group volunteer projects, paid and unpaid
- Allocation of financial resources to organizations in which employees volunteer. This program is often referred to as a “Dollars for Doers” program
- Executive loan programs which allow managers to take a sabbatical from the corporation to utilize professional skills at a nonprofit organization. Usually these sabbaticals are for a significant, prescribed period of time

It has been demonstrated that employee volunteer programs enhance teamwork and morale, develop vocational and interpersonal skills of employees, improve community relations, enhance the corporate image, and strengthen employee recruitment and retention (Aylward, 2002).

The best employee volunteer programs have these attributes in common:

- Programs are managed through the external relations or community involvement department of the organization
- The name of the program is engaging and creative. For example, Disney has the *Disney VoluntEARS, Inc. “Grow Up Great” program* and Home Depot has the *Team Depot* program
- Programs allocate, on average, nearly two full-time staff members for the implementation of employee volunteer programs. This translates into one full-time staff member for every 32,000 employees for larger companies and one full-time staff member for every 2,700 employee for companies with less than 10,000 employees
- Larger companies spend an average of \$30 per employee, and smaller companies spend an average of \$64 per employee

Source: (Points of Light Foundation, 2006)

#### Trends in Employee Volunteering Programs

- Eligibility is often limited to full-time employees
- Employee volunteer programs align with the company’s overall philanthropic mission
- Employee volunteering policy designates a set number of hours per year, per employee to be paid by the employer

#### ***Employee Councils***

One final trend in employee-giving and volunteer programs is employee councils. Employee councils serve as review communities for charitable giving programs and employee volunteering

events or programs. Employee councils incorporate employees from key departments and represent all levels of employees.

## EMPLOYEE GIVING AND VOLUNTEERING: CASE STUDY ORGANIZATIONS

Only two of the case study organizations interviewed have an employee-giving program. CSIV, an organization which does make community grants, provides a 3:1 employee match donation. Employees contributing to this program must make a minimum donation of \$25 (the cap is \$50,000). CSI, as an alternative to employee matching or giving programs, involves employees in grant-making decisions. In this program, giving is employee-directed and gifts are based on the strategic alignment with philanthropic goals. Employees have positively responded to CSIV's employee-directed program in its garnishment of employee connectivity.

## POLICY/GOVERNMENT RELATIONS

### POLICY/GOVERNMENT: LITERATURE REVIEW

Half of the over 150 survey respondents reported that they support grassroots' efforts at policy change in education and two-thirds reported that they directly contribute to policy change efforts. Fifty-eight percent of all respondents increased efforts at policy change in recent years. Of all corporate foundations interviewed, 44 percent of grants allocated were directed towards policy. Of all private foundations interviewed, 74 percent of grants allocated were directed towards policy (Grantmakers for Education, 2008).

Policy grant making is directed towards all levels of government, government policy, and governmental institutions, and grant making has several aims. State and federal policy on higher education affects philanthropic interests on a variety of levels. Given the latitude that states have to develop higher-education policy, an analysis of states' performance of higher education is particularly relevant and important. *Measuring Up 2008* provides grades on states relevant to their performance on higher-education policy and initiatives (The National Center for Public Policy and Higher Education, 2008). While the state statistics are not provided here, the report developed state scorecards according to:

- How adequate the state is in preparing students for higher education enrollment
- Whether states are providing all residents with ample opportunity to access higher education and advanced training after high school
- How state policy affects the cost of higher education regarding tuition and financial aid provisions

- Statewide college completion rates and variables affecting those rates
- The cost/benefit ratio of investment in higher education. How does the state benefit from this investment in terms of the cultivation of a “highly-educated population” (p. 28).
- How do states track the gap between high school and higher education and what students are learning compared to other states?

These factors provide a synopsis of the states’ role in developing effective policy for advancing preparation, access and success in higher education. Hence, it may be beneficial for grant makers to investigate these factors and implement policy grant-making toward the fulfillment of mission goals.

A report commissioned by the Nellie Mae Education Foundation indicates that a long-term political and public-will campaign is needed to enhance information access for prospective college students (Jobs for the Future, 2008). The foundation expressed:

“A combination of messaging about the challenges we face, improvements and innovation in practice that can help more underprepared youth and adults advance and succeed, and policy changes that can spread and sustain more effective learning opportunities and outcomes. These can be thought of as efforts to end the invisibility of the most at-risk members of our society, spur a wave of innovation and invention of new options and models for serving struggling and underprepared individuals and enabling them to benefit from college learning, and invest in the infrastructure of policies and partnerships for change that can be sustained over time and lead to significant upgrading of knowledge, skills, and economic success.”

The Nellie Mae Education Foundation suggests that funds from within the nonprofit sector play a critical role in this strategy, particularly for low-income, minority, and underprepared young people and working adults.

## POLICY/GOVERNMENT: CASE STUDY ORGANIZATIONS

Three of the six case studies organizations specifically focus on policy change as part of their overall grant-making strategy. For CSIII, influencing policy is at the core of its strategy to produce change at the systems level. The target audience of this organization is policy makers, legislators, and community leaders. CSIV also supports research and other efforts with the specific aim of providing institutional and policy support. One action taken by CSIV in an effort to heighten its effect on policy was the hiring of a Director of Policy. The director’s job is to deepen and strengthen the organization’s capacity to inform public policy in creating innovative, multi-dimensional improvements in the higher-education system. The methods used by the Director of Policy include the conceptualization and implementation of policy and research agendas. These agendas build knowledge in the field of education policy at the federal, state, regional, and local levels. Moreover, CSVI also supports programs, organizations, research, and

conferences in an effort to affect policy and to advance public knowledge regarding higher-education issues and initiatives.

While CSI does not specifically focus on policy change according to their prescribed philanthropic agenda, they do support research that informs policy. Affecting policy at the community level, CSII and CSV are partners and fund community-wide efforts to affect change within the local educational system.

## GEOGRAPHY

### GEOGRAPHY: LITERATURE REVIEW

Little research is available regarding geographic strategy in higher-education grant making. This element of strategy is integrated intimately with other strategic elements, including grant size and the nature of the grant program. Hence, delineating geographic strategy may only be purposeful in relation to those variables.

Current research provides statistics on how other funders are disseminating grants according to geography. According to a survey of over 150 organizations in the field of higher-education philanthropy, in late 2007, 34 percent of organizations directed grants locally, 23 percent supported programs or organizations in one or two states, 21 percent directed their support nationally, and 14 percent distributed grants with an international scope (Grantmakers for Education, 2008).

### GEOGRAPHY: CASE STUDY ORGANIZATIONS

Among the case study organizations, four mostly support local efforts, one has a regional focus, and the remaining organization has a multi-state focus. However, CSI and CSIII are both looking to expand nationally. CSI is doing this by expanding their visibility beyond their state borders. CSIII is funding promising initiatives in their local community that can work to solve national education problems. CSVI's mission specifically focuses them on their region, but on occasion will support programs that may be outside their region, as long they have the potential to impact education initiatives in their states. CSIV is the only case study organization that can operate nationally. CSIV believes that to make an impact they must focus on just a few states or communities. To do this, they have looked at education statistics from around the country and selected states where they believe they can have the greatest impact. This has meant focusing initially on five states. However, they also use partners and funders in other states to coordinate their programs to expand their reach beyond the initial five states. Finally, they support initiatives which may have a larger impact on the national education system.

# USE OF INTERMEDIARIES/PARTNERSHIPS

## USE OF INTERMEDIARIES/PARTNERSHIPS: LITERATURE REVIEW

### ***Why partner?***

A report by the Committee to Encourage Corporate Philanthropy provides, via a survey of the nation's most efficient philanthropists, that partnership and collaboration strongly affects the efficiency and effectiveness of the philanthropic approach. In fact, fifty-eight percent of the most efficient philanthropists partner with other organizations. Of the respondents who are already partnering, fifty-five percent report that there has been so much success that plans are underway to increase these endeavors (Committee to Encourage Corporate Philanthropy, 2008).

Some funder operates on the corporate model; hence, research regarding corporate-nonprofit partnering in pursuit of social goals is included. Burlingame and Smith (1999) reported that while corporate philanthropy has been on the relative decline throughout the last several years, corporate-nonprofit partnerships have risen substantially in the same period of time. These partnerships include corporation sponsorship of relevant nonprofit research and "hybrid cross-functional business units" working towards specific social agendas (p.72). The authors surmise that while corporate philanthropy numbers may seem down, corporations are actually investing more into the business units that externalize to nonprofit causes. Hence, clearly, this alludes to corporate-nonprofit partnering as high-efficiency endeavors (Burlingame & Smith, 1999).

Rather than viewing the corporate-nonprofit philanthropic partnership as singularly beneficial to the corporation, more often it is case that the nonprofit partner receives the largest reward. The connections that nonprofits develop in addition to corporate contributions allow nonprofits to explore previously unimaginable areas. Moreover, corporations offer substantial business and technical expertise to nonprofits that provides for an intersection of corporate-nonprofit interests. (Burlingame & Smith, 1999). This intersection, thus, allows for innovative solutions to unfold and maximize unlike those in any other type of partnership.

### ***Partnership Development***

Steven Rochlin in, *Alliance for Youth: What works in CSR Partnerships*, defines corporate/nonprofit partnerships as those, "initiatives in which participants define shared goals and objectives to solve a defined problem that requires each to contribute labor and resources" (p. 5). It was further emphasized that such partnerships require mutual goals and benefit for all of the organizations involved and a commitment to work on the common goal for a significant duration. In this report, Rochlin outlines seven key considerations in nonprofit partnerships as provided by the Center for Corporate Citizenship at Boston College. (Kinkade, Macy, Nieker, & Rochlin, 2006):

## **1. Know your company and know your motivations**

Corporations must seek to balance between maintain distance via check writing and end-result evaluation and over emphasis on financial return and impact. Funders should seek to use its higher-education financing expertise in driving the greatest impact on its social objectives. However, funders should be aware of partners who wholly or significantly rely on the organization for funding as this may place an undue burden on the corporation for the success of the program. Moreover, heavy reliance on finances versus social objectives is a drain on the partner's creativity.

## **2. Due diligence of company goals, mission and objectives**

Rochlin suggests that corporations interrogate prospective partners' abilities, strengths, weaknesses, and complementary factors in accordance with traditional due diligence practices.

## **3. Broad partnership goals/vision**

Both partnership organizations should have an over-arching goal of vision under which the program is driven, rather than narrow, technical objectives. Narrowing the objectives may prove to be suffocating for both parties. It is advised, however, that this approach may not be suitable for all relationships.

## **4. Build social capital first**

Grantmakers in education must build relationships with different organizations and organizational leaders in order to build and strengthen success in its philanthropic missions. It is suggested that funders build trust with other potential partners *prior* to engaging in any significant philanthropic project.

## **5. Develop organizational capacity**

Organizational capacity also assumes financial, social and creative capacity, amongst others. Corporations, while certainly having the structural and financial capacity, may be lacking in the other areas. Funders should seek to partner with organizations that have the attributes which it is missing, such as social capacity in the community and creative capacity in higher education and access.

## **6. Prioritize - The partnership is as important as all other business functions**

The philanthropic partnership should be viewed as integral, not only to the corporation's philanthropy, but to the organizational whole. As such, the partnership is as important as any other business factor. Moreover, the partnership must be cultivated and routinely supervised in order to reap the rewards of such a partnership.

## **USE OF INTERMEDIARIES/PARTNERSHIPS: CASE STUDY ORGANIZATIONS**



Program officers at nearly all case study sites admitted that they are not “content-knowledge experts.” Most of these organizations utilize intermediaries and other partnerships to create the change specific changes which they seek. At least two case study organizations, CSIV and CSVI, use intermediaries to re-grant dollars to direct service providers. Intermediaries are used not just for end-purposes, but also as sources for building relationships and knowledge. In general, intermediaries create an advisory committee, develop the Request of Proposal (RFP) in partnership with the funder, implement the RFP, and host grantee meetings throughout the process. In the case of CSIV, the intermediary implements the grant program or endeavor. In the case of CSVI, the intermediary simply acts as a referral source for the organization. In this situation, CSVI retains the right of refusal and always implements the grant to maintain oversight of the granting process and to increase visibility. Both CSIV and CSVI use intermediaries as a strategy as a consequence of low manpower and to maintain program oversight.

***All case study organizations have partnerships to varying degrees. Case study interviewees cited various examples of issues that develop in partnerships:***

- Unrealistic expectations on either side. Grantees promising too much in terms of outcomes seems to be a significant issue
- Poor communication between partners; the use of passive-aggressive behaviors; and withholding important information were all cited as particularly negative outcomes.
- Staff turnover causing disruption and confusion in program linkage
- Rigidity imposed on the grantee by the funder, including the funder’s inability to allow the grantee to activate their expertise in program implementation.
- Lack of buy-in to the project by the personnel of either organization.

***Case studies also provided the positive traits of successful organizational partnerships:***

- Clear objectives and an overarching goal
- Funders approaching grantees as partners, not funders
- Transparency on both sides, which includes having frank, open conversations
- Trust
- Demonstration of the commitment to respect for the grantee’s topical expertise
- Passion for the project
- Solid data
- *“Being supportive and creative champions of change means you don’t get the credit all the time.”*

One case study organization indicated that long-term relationships are particularly valuable. These relationships are lower-risk than short-term, more unfamiliar partnerships. Forming long-term relationships allows for greater transparency and trust. Hence, such relationships offer a

solid investment in what really works and the greater leveraging in content-knowledge expertise. However, interviewees at CSVI indicate that long-term relationships should not impede on organizations maintaining an open mind in regard to the creation of other partnerships in the future.

### ***Leveraging Resources***

A funder's leveraging of the resources of another nonprofit organization for the purposes of satisfying a singular goal increases the impact on that goal. Leveraging the resources of another organization provides efficiency for both organizations. All case study organizations, with the exception of CSI, engage heavily in leveraging as a strategy. For CSII, this means using community leadership and knowledge of the community in the grant-making process. Further, CSII specifically measures how the investment of leveraged resources spur growth and, hence, further investment. For example, an initial investment of \$500,000 to one program generated nearly \$6 million in co-investments, and the investment of \$1 million to another program led to the creation of a \$25 million loan pool. CSII admitted, despite these returns, that it is challenging to get funders to work together effectively as each organization has its own traditions and favorite projects.

CSIII, CSIV and CSVI all seek to create systems-change within the educational sphere. All three organizations indicate that such systems-change, considering the vastness of the endeavor, requires coalition-building. CSIII, in creating partnerships with other funders, actively seeks grant dollars from other sources to fund its initiatives. CSIV's national strategy is to partner with selected funders in managing initiatives within selected communities. CSIV's approach is to fund those organizations that are more intimately connected with the grant-impact community.

# EVALUATION OF IMPACT

## EVALUATION OF IMPACT: LITERATURE REVIEW

Impact can be defined as the extent to which mission objectives satisfy the problem addressed by the grant-making program. Given the subjective nature of social-impact programs, it is difficult to measure how grants ultimately impact mission goals. Hence, there are no standard measurement models to assess the outcomes of grant-making programs. The outcome measurements that do exist borrow from the corporate world. Charles Moore of the Committee for Effective Corporate Philanthropy refers to outcomes as “leverage, community benefits and business benefits” (Strategic Corporate Philanthropy Brief, 2003). Therefore, outcome measurements should address how effectively the funder leverages resources, the level to which the community benefits and the level to which the company benefits.

### ***Impact***

Porter and Kramer (Dec. 2002) suggest that corporate philanthropy programs must be able to identify how companies “achieve the greatest social and economic impact” (p.11). The grant-making organization, unlike government funders and individual donors, has considerable latitude in the implementation of philanthropic programs. For this reason, grant-making organizations also have considerable responsibility in maximizing the effectiveness of these programs for the benefit of the public good. The authors cite four modes of initiating the greatest amount of social value: *selecting the best grantees*, *signaling other funders* (i.e. partnering with other funders); *improving performance of grant recipients*; and *advancing knowledge and practice* (p.14). The authors emphasized the importance of corporate philanthropists on keeping an eye on impact rather than self-benefit.

### ***The four modes of social impact:***

#### **1. Select the Best Grantees**

Grant makers should seek to fund the best grantees in the implementation of philanthropic goals. Doing so will provide for a “higher social return.” The key to selecting the best grantees is evaluating the results of current grantees and comparing successes over time. Moreover, grant makers should seek to update its evaluation and selection practices according to best-practices innovation.

#### **2. Signaling other Funders**

Attracting other funders in contributing to the best programs doubles the impact of value on the grant-maker’s objectives. Organizations should consider offering matching grants to potential

partners. Matching grants elevate the impact of the program while providing for capacity development in the funded organization.

### 3. Improving the Performance of Grant Recipients

Grant makers must consider moving away from the “provider” to the “partner” in grantor-grantee relationships. This move raises the social capacity of the grantee in providing greater impact throughout the community. Partnering with grantee organizations includes: impact tracking and measurement assistance, functional management assistance, access to other professional services, and building “clout.”

### 4. Advancing the State of Knowledge and Practice

Grant makers are in an especially unique and valued position to fund, research and pursue innovative solutions. Instituting “pilot projects,” enhancing current research, and providing leverage for other organizations with different ideological frameworks should all be key considerations in instituting greater impact.

*“As long as companies remain focused in the public relations benefit of their contributions instead of impact achieved, they will sacrifice opportunities to create social value” (Porter & Kramer, 2002, p. 15).*

## MEASUREMENT

Funders of social programs are increasingly demanding that grantees produce evidence that grant dollars have been used effectively in regard to specific programs. This increase in demand relates to external pressures developed as a result of government and corporate influence. An *outcome assessment* is defined as the “regular measurement and monitoring of how well [ ....] programs are performing relative to the desired outcomes” (Thomas, 2005, p. 391). Outcome assessments developed largely out of government contractual agreements with nonprofit organizations. Specifically, the *Government Performance and Results Acts of 1993* enforced such accountability for nonprofit organizations. Corporate practices have also affected the use of outcomes assessments by today’s nonprofit organizations. Cost/benefit analysis has always been a part of the corporate world. Nonprofit outcomes assessment are simply a variation of the costs and benefits of grant making. However, in the nonprofit sphere, assessing the costs of program implementation against net gain is substantially more difficult. This may be one reason why many nonprofit organizations fail to perform such assessments (Thomas, 2005).

### ***Purpose of Evaluation***

There are two purposes for employing an evaluation of program processes. The first purpose is the *summative* purpose and the other the *formative* purpose (Thomas, 2005). Before conducting an evaluation of any program, the organization must define the reasons for the evaluation. The

summative approach emphasizes evaluation of the program's overall achievements. The formative approach emphasizes evaluation of the functioning of the program. Funders will tend to require that grantees provide a summative assessment of the program's achievements in ascertaining that grant dollars had an impact. Funders require formative evaluation to determine if the organization used their grant dollars as they stated in the proposal or grant agreement.

### ***Processes of Planning an Outcome Assessment***

Assessment plans must be thoughtfully planned and diligently executed for optimum benefit and value. Thomas (2005) outlines four major points in the creation of an outcome assessment:

- Involvement of the CEO of the nonprofit organization and/or the Board of Trustees in the creation of the plan. The persons responsible for implementing the plan must be aware that the entire organization or philanthropic program has a vested interest in the outcome of grant-making programs.
- All outcome assessments must measure each program singularly. The staff person or team responsible for implementing the particular program must be involved in creating the program assessment plan.
- All outcome assessment planning should involve staff, and, as needed, other stakeholders who are affected by the program. Involving personnel or stakeholders outside of the managerial team leverages information-gathering efforts and builds a sense of program ownership of all team players.
- All outcome assessment plans must be created with the organization's information systems and protocols in mind. The organization must have sufficient staff and technologies to implement the outcome assessment plan.

### ***Program Goals***

Outcome assessments are tied to program goals, hence, the development of sound program goals is imperative. There are two types of goals according to Thomas (2005): *outcome goals* and *activity [output] goals*. Outcome goals are the "intended consequences of a program for its clients or society" (p. 393). Outcome goals are where the impact lies and are mostly oriented towards the effect that the program has on people. Hence, for organizations, an outcome goal may be expressed as "An increase on the number of students who receive a college degree." Activity goals, also referred to as outputs, refer to the internal workings of the grant program. Such goals allude to the desired methods or outcomes within program processes. One might ask, referring to an activity goal, how many people does the organization assist (in achieving the outcome goal), or how much time is the staff spending on particular activities within the program?

When implementing an outcome assessment it is important to differentiate between *what* the end-result/impact of the grant looks like (outcomes goal) versus *how* it is being achieved. Thomas (2005) suggests that when an organization sets a goal, it should implement both sides of

this goal. The most effective way to do this is to add a *bridging goal*, which links both outcomes and activity goals. The bridging goal refers to the consequence of the program's activity in establishing the success of the end-result goal. Hence, a hypothetical goal to increase the number of students receiving college degrees might look like this:

Outcome Goal: "To increase the number of minority students receiving Bachelor's Degrees in the metropolitan statistical area to (a certain number) by 2015."

Activity Goal: "Employ the *Access to Education Scholarship* program in providing (x-number) of need-based scholarships each year until 2015."

Bridging Goal: "An expansion of funds in the amount of (x-dollars) via scholarships for need-based students."

All three types of goals, according to Thomas (2005), must have these critical three elements in common:

- All goals must be an expression of only one concrete idea
- One goal must never overlap with another goal in its expression
- All goals must be expressed with the use of action verbs

*Note:* At the Fund Raising School at the Center on Philanthropy, the SMART method of objective grant measurement is taught. Namely grants should be Simple, Measurable, Attainable, Realistic, and include a Time element.

### ***Measurement of Goals***

There are a variety of measurement tools used for outcome evaluation. These tools relevant to grant-making efforts include:

- Utilization of program records and statistical analysis in the creation of a quantitative database
- Questionnaire surveys which assess the impact of the program on the client base. Hence, funders might employ the use of questionnaires with scholarship recipients, consumers of grantee services, or the grantee themselves. Questionnaire surveys may derive both quantitative and qualitative data in the assessment of outcomes
- Use of qualitative analysis in conjunction with quantitative analysis tools. One method of qualitative analysis employs the use of "in-depth interviews" of those impacted by the grant program, including grantees and program consumers

Source: (Thomas, 2005, pp. 398-401)

One report on corporate philanthropy states that efficient philanthropy programs should move beyond measurement of philanthropic outcomes in quantitative terms, by implementing long-term strategies with well-defined objectives. It was further suggested that measurement of qualitative outcomes should be concurrent with quantitative outcomes (Corporation to Encourage Corporate Philanthropy, 2008).

### ***Program Evaluation***

In addition to outcome assessments, grant-making organizations may engage in program evaluation, defined as evaluating how a grant-making program actually produces impact. Hence, program evaluation looks at the internal workings of the program and outcome assessment looks at the effects of the program. Thomas (2005) emphasizes the use of the *utilization-focused evaluation* method of program evaluation. This evaluation method emphasizes the approach of both quantitative and qualitative data to provide a balanced perspective of program operations. Evaluation of the program is done through subjective and objective measures and “necessitates multiple perspectives” (p. 403).

### ***Who evaluates the program?***

There are three options for program evaluation according to Thomas (2005):

- Internal evaluation by program staff: This type of evaluation necessitates that staff have training on measurement techniques and unbiased input from staff management.
- External evaluation by hired consultants: The risk of using this type of evaluation includes the lack of investment or excessive objectivity of the evaluator.
- External evaluation with substantial input by program staff: This method is the most balanced approach. It is less costly than hiring an external evaluator to conduct the entire assessment, provides greater impact derived from the involvement and commitment from the staff, and provides for greater technical input. This is also the method most employed by case study organizations.

### ***Suggested Conditions of Effective Measurement of Outcomes:***

CEOs suggested that effective measurement of outcomes includes (Committee to Encourage Corporate Philanthropy, 2008):

- Clear expectations for grantee partners from the start
- Treatment of foundation or corporate giving program as just another part of the company
- Integration of metrics and return-on-investment practices throughout the grant process
- Understanding of the measurement of philanthropic programs by all philanthropic staff, not just one specific person or team

One CEO has proffered that companies should invest in or invite nonprofit leaders to training sessions on nonprofit management and techniques; doing so assists nonprofit leaders in understanding how to communicate and relate to corporate grantors more effectively.

## EVALUATION OF IMPACT: CASE STUDY ORGANIZATIONS

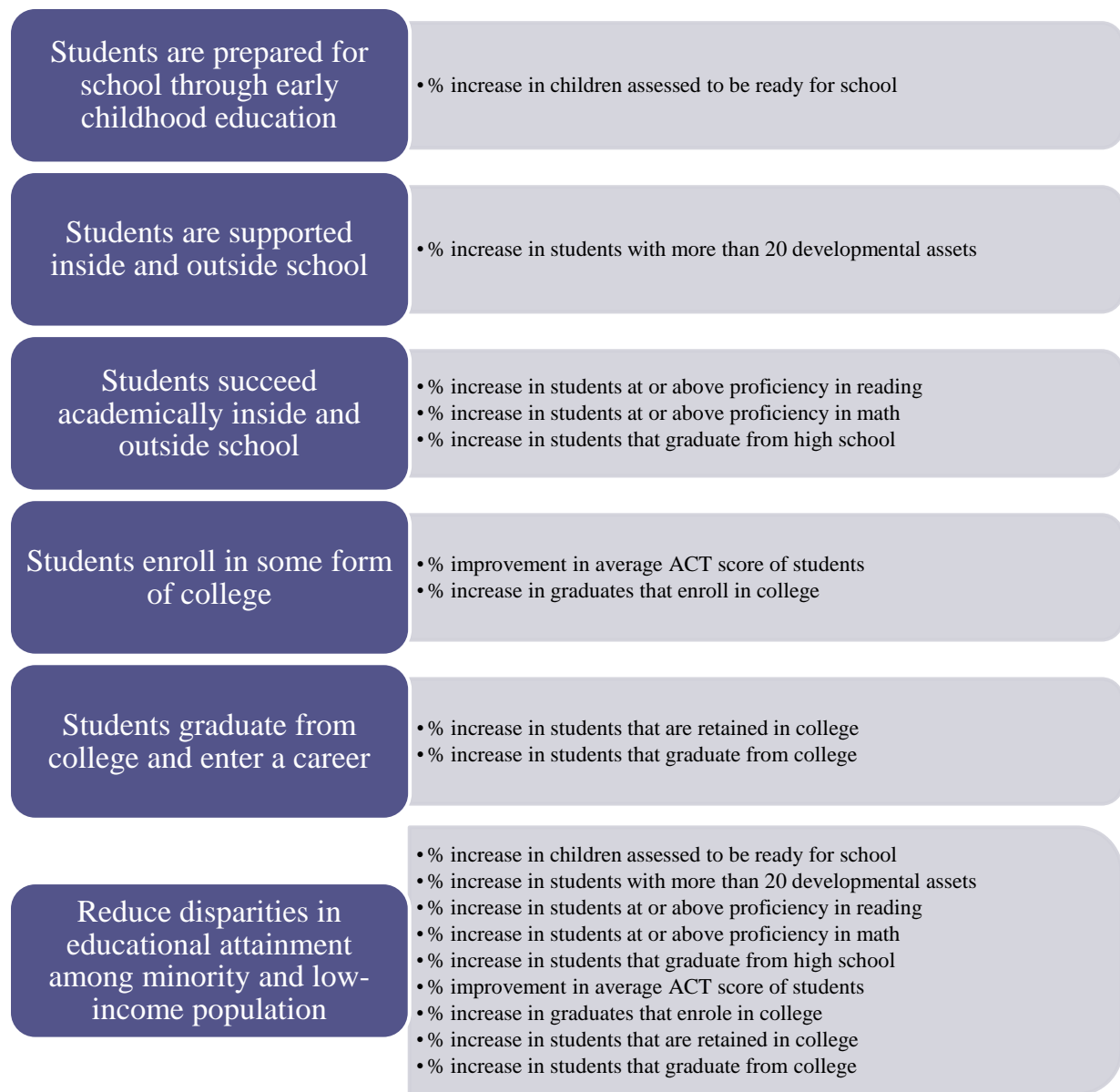
For all case study organizations, impacting the field of education is their chief interest. Examples of impact evaluations used by these case study organizations include one-time reporting by grantees (formative evaluations) to a strategy utilizing measurable outcomes and metrics to assess program outcomes (summative evaluations). All grantees require at least a final report by the recipient on the use of the grant dollars. There was a general consensus of case study organizations that they would like to move past measuring outputs to measuring impact.

CSI requires that grantees “spell out” project goals and objectives by tying them to deliverables, outcomes and expectations, and CSI requires both an interim and final report. This organization conducts site visits in order to assess grantee performance.

CSII, along with their community-wide partners, have developed six objectives with corresponding indicators to measure the effectiveness of the educational initiative. CSII requires all organizations which receive grants to submit an end-of-grant evaluation report. Some organizations are also asked for an interim progress report. All reporting is submitted through an online evaluation report system. Funding priorities and measurements are shown in Figure 3.



FIGURE 3: CSII FUNDING PRIORITIES AND MEASURES



CSIII is chiefly interested in creating system change in the field of education. Therefore, measurement of impact hinges on the creation of change. As seen in Figure 4, if a project or initiative moves forward along the system change continuum, for example from conducting research to defining the problems and solutions, then the program is successful in moving toward their goal of system change.

CSIII uses a *formula for change* developed by Richard Beckhard and David Gleicher. One theory of change holds that three factors must be present for meaningful change to take place.

The formula is:

$D \times V \times F > R$ , where

D = Dissatisfaction with how things are now

V = Vision of what is possible

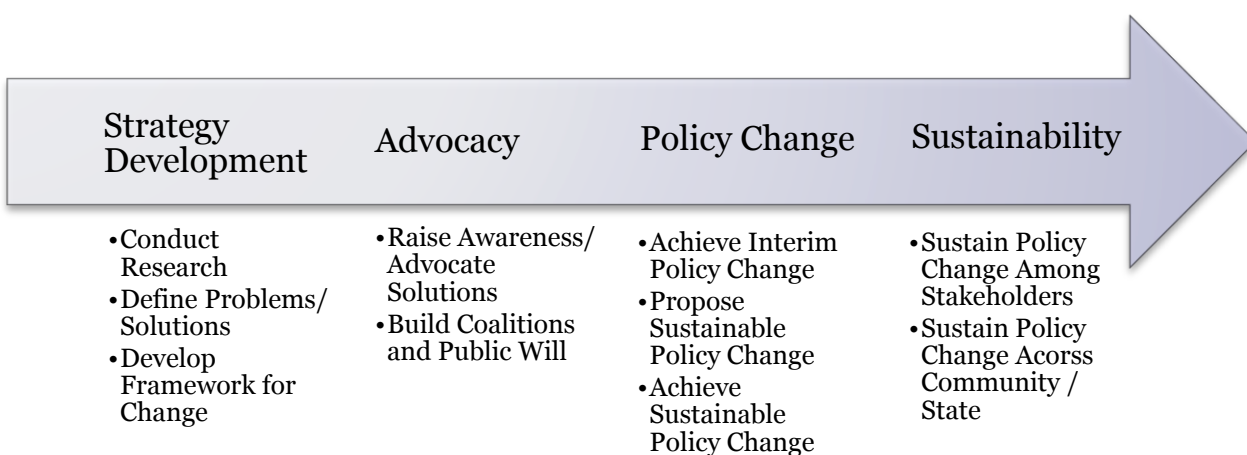
F = First, concrete steps that can be taken towards the vision

If the product of these factors is greater than

R = Resistance

Then change is possible.

FIGURE 4 CSVI SYSTEM CHANGE CONTINUUM



CSIV's primary measurement of impact relates to the overall goal of increasing the percentage of students who obtain a postsecondary degree. A specific percentage target is set against a specific date. To determine this simple measurement of success, CSIV has two evaluators on staff. CSIV believes that data analysis leads to student success. Therefore, evaluators are hired to evaluate the program from the beginning of its creation and work throughout the course of the program to measure impact. CSIV does not independently measure the impact of all grants and brings in third-party evaluators as necessary.

CSV is currently working towards developing a measurement system in assessing the impact of program goals. A new strategic initiative is being used as a launch into the evaluation process. The new initiative includes metrics of student success and compares these students to a control group. The success and lessons learned from this evaluation system will be applied in other granting areas.

CSVI has hired a director of research to perform high-quality academic and practice-based research; to provide support in the development, monitoring, and evaluation of grants; and to

gather and manage critical data. Because this organization is in a transition phase, they have also hired an outside evaluator to help them design program objectives. These program objectives will be used to match grants with program objectives.

## VISIBILITY

### VISIBILITY: LITERATURE REVIEW

Research has found various external benefits to a more visible corporate philanthropy program including customer loyalty and retention as well as assistance in helping companies entering new markets. Furthermore, a visible philanthropy program gives executives greater opportunities within the community setting (Committee to Encourage Corporate Philanthropy, 2006).

Executives attending the Committee to Encourage Corporate Philanthropy's (CECP) Board of Boards meeting (2008) contend that transparency in corporate philanthropy is becoming the norm. Companies should seek to walk that fine line between quietly disseminating grants and creating a dialog with the community about corporate philanthropy. There was general consensus amongst the attendees that all stakeholders should be aware of a company's philanthropic endeavors, but such public displays should be monitored. Key recommendations from CEOs include:

- Reach out to nonprofit leaders in creating a dialog regarding nonprofit's needs
- Consider allowing nonprofit leaders to assist in allocating grants where they are needed most
- Create a brand that assists the public in tying together the philanthropy with the company
- Initiate strong "community investment programs" first, allowing positive media attention to follow
- Allow the CEO to be the leader in communicating the vision of the company's philanthropy both internally and externally

Corporate members of CECP (2006), reporting on the visibility efforts of their organization, indicated :

- Over two-thirds use public relation strategies as a communication device to promote their philanthropy
- One-third market and place adds to promote their philanthropic program

McAlister and Ferrell (2002) contend, however, that cause-related marketing (CRM) is not strategic philanthropy, but a marketing tool. CRM should be utilized for short term purposes

rather than long term. The major problem with CRM, they found, was that 90 percent of the public were unable to identify the “cause” with the company and it was deemed by the public as a way to increase sales rather than a company being philanthropically-minded (McAlister & Ferrell, 2002).

To overcome the problems with cause related marketing, McAlister and Ferrell (2002) provide these key considerations:

- Philanthropy must be linked with a company’s vision and mission
- The organization must understand stakeholders’ expectations
- Evaluation must be conducted to link philanthropic endeavors and stakeholders’ understanding of effectiveness
- There must be a strong link between vision and outcomes

Signature programs/campaigns are gaining in popularity as a vehicle for heightening visibility. A signature program is defined as: *A significant philanthropic campaign that is advanced as a central focus of a company’s philanthropy* (Committee to Encourage Corporate Philanthropy, 2006, p. 35). Fifty-five percent of companies’ giving departments have at least one signature program or campaign. Of the respondents who reported that they did not have a signature program or campaign, just over half were in the decision-making or implementation phase of doing so. The benefits of initiating a signature program include: greater efficiency overall since considerable dollars are focused into one project; greater linkage to the corporation’s mission and aims, which provides for greater leverage and impact; and greater recognition by policymakers, stakeholders, and potential, high-quality employees. One problem associated with initiating a signature program is budgeting. Conducting a quality signature program that is reliable across locations can be quite expensive. Moreover, nonprofit partners often do not have the capabilities to promote corporate sponsors and corporations, sometimes limiting publicity and communication (Committee to Encourage Corporate Philanthropy, 2006).

## VISIBILITY: CASE STUDY ORGANIZATIONS

Visibility was widely accepted as a necessity as a funder. A few case study organizations reported that in the past they were not good at promoting themselves, in part because they felt that either their work should stand for itself or because they felt no need for recognition. However, each case study organization now acknowledges that visibility means promotion of their organization’s mission. Many felt that to be effective they have to be known as doing this work. Otherwise, they may miss out on opportunities, and if they are not well known they have less clout, especially in the field of education reform. CSVI acknowledged that you have to be perceived as having a brand that others want to identify with.

Visibility for these case study organizations often means press releases either by the funder or by the grantee about the initiatives they are supporting. A few have created annual reports to

discuss their grant-making. Especially in the case of strategic initiatives, a few funders have invested time and energy into branding the initiative so that it can have a greater influence and impact.

CSI does not shy away from publicity. This organization reported having an internal audit of their programs a few years ago and that they received no push-back from colleges and universities regarding their efforts to heighten visibility. In fact, these institutions saw CSI's grant making as investment in the student population. CSI did report some pushback, however, in efforts to seek publicity in a policy space. Ultimately, they were able to communicate to policymakers that this investment (visibility) was salient to their mission and implored policymakers, who wanted to make cuts to their guarantor business, that doing so would threaten the philanthropy program.

## GRANTS MANAGEMENT

### GRANTS MANAGEMENT: LITERATURE REVIEW

#### *Leadership*

Effective grants management begins with executive leadership. Nearly three-fourths or companies indicated that there is significant "senior executive engagement" in philanthropy programs (Committee to Encourage Corporate Philanthropy, 2006). In fact, 63 percent of the most "Efficient Philanthropists" utilize the CEO as the public face of their philanthropic program. CEOs are not necessarily leading the effort, but are actively involved in all aspects (McKinsey Quarterly, 2008). In a gathering of leading corporate funders, CEOs also reported the need to involve Boards of Directors and other high level executives. Doing so not only sets a positive example for the employees, but also translates into a positive corporate image to the community (Committee to Encourage Corporate Philanthropy, 2008).

#### *Staff*

Research revealed three dimensions that nonprofits report are key for effective grants management. The first is the quality of the interaction the nonprofit receives from staff. This includes their fairness, responsiveness, and approachability. The second dimension includes the clarity of the funder's communication. This includes having clear goals and strategy with a consistent articulation of objectives. Finally nonprofits value the expertise and external orientation of funders. In particular they appreciate program staff that understand the field and

constituents that the foundation is trying to reach. This helps nonprofits advance knowledge and affect public policy (Boldue, Buchanan, & Huang, 2004).

When it comes to staffing, there is a direct relationship between the size of the contribution budget and the number of staff. With corporate philanthropy, however, many high contributing companies are responsible for a vastly greater dollar amount per FTE than from smaller companies (Committee to Encourage Corporate Philanthropy, 2008). Just over half of all giving departments employ no more than 5 people and 39 percent employ more than 10 staff members. Of significance, those offices with the least number of employees will typically run either a signature program that dominates the nature of the philanthropy program or a “broader grant-making program that engaged employees, sr. management and communities...” (CECP, 2008, p. 31). If a company were to engage in more than one of these initiatives, more than five employees are usually involved. The report noted that a well-run national program is possible with just a few staff. Of important note, some companies engage employees and others on a volunteer basis to help with national programs. Additionally, companies utilize employees or department from outside of the philanthropy department itself (Committee to Encourage Corporate Philanthropy, 2006).

### ***Grant size and type of grant***

There is some evidence that grant size and type of grant is related to impact. Recipients of operating support from foundations reported slightly more impact than recipients of program grants. However, the research suggests that operating support, by itself, doesn’t seem to impact a nonprofit. Rather the combination of longer-term (three to five year) general operating grants were reported as having the greatest impact (Huang, Phil, & Buteau, 2007).

According to Grantmakers for Education (Grantmakers for Education, 2008)

- 31 percent made an average grant of \$50,000 or less
- 28 percent made an average grant of \$250,000 or more, with 50 percent of these grants totaling more than \$500,000
- 24 percent reported a grant making budget between \$10 million to \$50 million

### ***Budgeting and Management Costs***

The typical grant-making budget for a foundation is based on a three to five year rolling average of the foundation’s assets, granting out a predetermined percentage of the corpus, usually around 5 percent after administrative costs are subtracted. Budgeting, however, is also based on other factors including the overall strategy of the foundation. Some foundations, for example, intend to spend all their assets in a given time period and, therefore, grant out much more than 5 percent each year. For corporations, budgeting is a little different. It is commonly held that a company’s

philanthropic budget lags behind the corporation's financial performance by one year. However, some companies forecast profits, others adjust throughout the year, and others set a budget based on historical grant-making (Committee to Encourage Corporate Philanthropy, 2008).

Corporations gave on average 0.8 percent of pretax profits to charity in 2007. Historically, this percentage has fluctuated from 0.7 percent to just under 2 percent over the last 40 years (Center on Philanthropy at Indiana University, 2008). There is no research related to the best way to determine a philanthropic contribution's budget.

Estimating the amount of funds corporate grant makers spend on administering their philanthropic program is challenging for a couple of reasons. First, many funders utilize resources outside the grant-making arm of the corporation, for example, human resources, information technology, and communications. In addition, many include employee councils that review proposals, or at a minimum, time from senior leadership approving grants. With this in mind, the typical administrative cost is 6.1 percent of total giving (Committee to Encourage Corporate Philanthropy, 2008).

## GRANTS MANAGEMENT: CASE STUDY ORGANIZATIONS

CSI has one cycle per year where grants are due in March and organizations are notified at the end of June. The award period is for one year only, usually August to August. CSI stipulates that if an organization requests funding for the second year for the same project, CSI is limited to only providing 25 percent of the total project budget. CSI has the following grant-making cycle:

- Program officers do an initial review to see if grants meet their basic guidelines
- A volunteer committee of approximately 15 staff members (management or leadership level) read and scored the proposals
- There are two reviewers for each proposal
- The scores are summed and the highest scores receive funding
- All recommended proposals are reviewed by staff and are then submitted to the board for final approval

CSII's granting cycle has three components. First CSII requires grantees to submit a pre-application which is a short description of the organization and program. Pre-applications are accepted on a rolling basis. Organizations are notified within 30 days whether they are invited to submit a full proposal. Full proposals are reviewed twice a year (March and September). CSII uses topic-specific outside advisory committees to rate their proposals. Ratings are: recommended, recommended with reservations, and not recommended. With assistance from the staff, recommended proposals are taken to the board for final approval. The only exception is for grants less than \$20,000 for which staff has approval authority. Proposals submitted in March are notified in June, proposals submitted in September are notified by December.

CSIII's grant-making cycle is less structured in part because they tend to create and manage many of their own initiatives. Typically, CSIII convenes a high level task force to look for opportunities. They then make grants, provide technical systems, and evaluate the process. If the model is successful, they advocate for it, including providing publications, venues, and forums to disseminate the findings and get the attention of legislators so they will support the change.

CSIV has a two step process. First they require a letter of inquiry and then accept a full proposal.

- A grant coordinator reviews all letters of inquiry; if they meet the basic guidelines and mission of the organization, they are routed to a program officer
- Groups of four to six program officers review all letters of inquiry and request full proposals
- Two program officers negotiate the terms of the full proposals
- Grants are accepted and reviewed monthly, January through October
- Cabinet level staff is given the authority to approve grants up to \$1 million

One interviewee for CSIV acknowledged that an obvious drawback to their current monthly system is they do not necessarily have the ability to compare proposals to each other. However, CSIV does initiate RFPs for many projects, including providing funding for re-granting to make their process more competitive and to ensure they are making the best possible investments.

For a specific education initiative, CSV began by creating an RFP, and then holding a training session for about 30 educational institutions. They convened a group of 8 community evaluators who were content knowledge experts to make decisions about their "big" awards. Similar to CSII, they also make smaller technical assistance grants to nonprofits that staff has the authority to approve.

There are three ways in which CSVI makes grants.

- The first way is through invited proposals. CSVI seeks out opportunities and invites organizations to submit a proposal for funding considerations.
- The second way is through RFPs created and managed by CSVI for their strategic initiatives. An example is a program for expanding the variety and number of ways students can attend a postsecondary school.
- The third way is an RFP process which is managed by a third party intermediary who has content knowledge expertise and local connections to direct service providers. The intermediary distributes the RFP, forms a review committee, and makes funding recommendations to CSVI. CSVI, however, makes final funding decisions.



Invited proposals have no set due date and each RFP has a different deadline. Another interesting aspect of CSVI's grant-making process is an information session for grantees to explain the funding initiatives, its goals, and the organization's expectations. They try to discourage unsolicited proposals. Grants over \$300,000 must get board approval, but the remaining grants, under \$300,000 may be approved by their CEO. Grants are made quarterly.

Staff size varied widely between the funders in part because of their organizational structure. In general, case study organizations had a program officer for every \$4 to \$5 million in grant making. CSIV's ratio was slightly higher, one program officer for every \$7 to \$8 million, however CSIV's average grant size was also larger, making their overall portfolios similar. Program officers at CSII maintained about 58 grants in their portfolio of current grantees. Staff sizes at these organizations were often much larger, however, than just program officers. Staff also included senior staff, assistants, investment and finance staff, an information technology department or person, and external affairs or communications personnel. Further, a few case study organizations had researchers, evaluators, and policy specialists on staff. Two of the organizations maintained a staff of between 40 and 50 people.

The average grant size for strategic initiatives at case study organizations was around \$100,000. The exception to this was CSIV whose asset base is considerably larger. CSIV grants out \$50 million a year and their median grant was \$250,000, although they make a considerable number of larger grants and on occasion make grants to intermediaries to then re-grant to direct service providers. Both CSII and CSV also provide smaller grants, less than \$20,000, to nonprofits for capacity building efforts.

## CONCLUSION / ISSUES TO CONSIDER

Creating impact begins with thinking strategically. McAlister and Ferrell (2002) define strategic philanthropy as, “the synergistic use of organizational core competencies and resources to address key stakeholders’ interests and to achieve both organizational and social benefits” (p. 690).

### I. OBTAINING A CORE IDENTITY

To be strategic, the Committee to Encourage Corporate Philanthropy (2006) says companies need to *think* strategically. All philanthropic efforts should derive from and point to the central philanthropic theme – a theme which defines its core identity. Organizational identity influences the language of the funder, the strategy, and the grant-making process. The challenge for Education grantmakers is to carefully define the organization in the context of higher-education grant making.

Organizational identity may change according to each context, or it may be singular across all contexts. Education grantmakers may decide to be a proactive funder in one environment, to leverage funding resources in another environment, or to be an innovator in creating novel grant-making programs in yet another environment. Each of the strategies suggested below will move Education grantmakers toward a more proactive approach to grant making.

### II. DEFINING STAKEHOLDERS

In conducting strategic, rather than traditional philanthropy, companies are aligning their charitable programs to meet the tangible needs of identified stakeholders. Education grantmakers’ stakeholders include students and parents; institutions of higher education and financial aid offices; federal government; state higher-education commissions; communities in which the organization conducts business; employees; and the communities in which employees live and work.

Achieving impact means that funders will need to focus on a specific problem within higher education. Research has shown that the foundations that have the greatest social impact are those that pick a specific problem, along with a specific stakeholder, and utilize all resources to correct that specific problem (Porter & Kramer, *Philanthropy's New Agenda: Creating Value*, 1999).

A remaining issue is whether low-income student stakeholders should be further defined, for example by racial and/or ethnic disparities and academic-ability levels. The more defined the stakeholder, the more focused the strategy and the easier will be to evaluate the impact of the grant-making program.

### III. CREATING STRATEGY

Once stakeholders are defined, a funder can begin to understand their tangible needs and design a philanthropic strategy that best meets those needs. This can include setting specific, achievable goals; leveraging resources through collaboration; utilizing content-knowledge experts; influencing policy; and/or working towards changing education systems to better help key stakeholders achieve success. Strategy can also take the form of strategic initiatives, banded for heightened visibility, with defined objectives for achieving measurable impact.

### ***Suggested Strategies***

The Center on Philanthropy suggests a few models which will help grantmakers in higher education further refine their strategy. These models are not necessarily mutually exclusive:

- ***Outside advisory council:*** The advisory council made up of content-knowledge experts will help create overall objectives or goals for the defined stakeholders. The council's role is to bring specialized knowledge about the tangible needs of stakeholders to help the organization design a program that can achieve heightened impact.
- ***Community-led education efforts:*** Community-led efforts often have stakeholder buy-in, cooperation, leveraged resources, content-knowledge experts, and data which will lead to greater impact on the mission. Within these efforts, grantmakers will be better prepared to hone in on their niche.
- ***Scholarships:*** The choice to continue funding scholarships should come from a decision to reach a specific type of student in which financial barriers are paramount and where the literature has shown that increasing financial aid improves enrollment and/or retention. When constructing a strategic scholarship program, one option is to model the program after the success of recent Scholars program. This program awards scholarships to students in their junior year of high school; provides high dollar amounts to support the breadth of tuition costs; and provides wrap-around services, such as mentoring, tutoring, and access to internships.
- ***Intermediaries as content-knowledge experts:*** Intermediaries can successfully be used to increase the impact and reach of philanthropic dollars because of their enhanced knowledge of the mission subject and their relationships with other funders. Some methods include:
  - Being a high-level partner/funder which helps these intermediaries craft and fund their own strategy, which is often a community-level initiative, or
  - Funding to an intermediary to manage a strategic initiative. This could include re-granting funds to direct-service providers.
- ***Strategic Initiatives:*** Strategic initiatives are measurable and are often replicable and/or scalable so that their findings can be disseminated to others who can use them. Strategic initiatives are often a set of grants (can use an RFP) which have a common set of objectives and are managed by one program officer. Those objectives become the basis

for measuring the impact of the initiative. Many funders use outside advisory councils or intermediaries to help craft the initiatives.

#### IV. EVALUATING IMPACT

No matter which strategy is used, grantmakers desire to understand the impact of the philanthropic program. The results should cycle back to an evaluation of the organization's overall strategy and then further refine sub-strategies.

***Formative Evaluation – measuring outputs:*** The measurement of impact can be the summation of grantee outputs or activities, such as the number of students serviced or the number of classes taught. Output measures are the least costly and can be managed in-house. However, outputs alone are incapable of answering questions about the nature of the impact, but will offers due diligence to ensure that grantees' performance matches the contracted grant proposal.

***Summative Evaluations -measuring outcomes:*** The measurement of outcomes differs by timeframe and sophistication. The level of evaluation stems from organizational resources and the nature of the overall mission. The benefit of long-term studies conducted by outside evaluators is that it controls for contextual factors and provides a more thorough assessment of impact. However, such studies are expensive to implement and are lengthy processes. We suggest a focus on short-term outcomes with an occasional evaluation of intermediate outcomes.

- Short-term outcomes – Focuses on new knowledge, increased skills or awareness of issues
- Intermediate outcomes – Focuses on the modified behaviors (of the people served)
- Long-term outcomes – Focuses on overall improved conditions or altered states

We suggest that evaluation funding be allocated either within large grants/initiatives, so grantees can evaluate their own outcomes, or organizations can create an evaluation budget by hiring outside evaluators to review specific, large grants or initiatives.

#### V. VISIBILITY

Visibility can be a strategic tool used by grant makers to achieve greater impact or mission fulfillment. The main issue for education grantmakers is whether or not to promote the philanthropic program visibly. Further discussions on this topic should only come once the strategy and objectives of the program are clearly delineated. From this point, the level of visibility, including the use of a strategic initiative or branding efforts, can be evaluated.

#### VI. IMPROVING OPERATIONS

Organizations must implement a solid management framework under which all program processes are carefully implemented, controlled, and evaluated. This process should have strong

leadership, be responsive grantees and potential grantees, provide clear and consistent articulation of the objectives of the organization, and allow program officers to excel by specializing.

Our suggestions, which are not mutually exclusive, include:

- **Define the grant cycle** to include deadlines at a specified frequency
  - Option 1: Quarterly or biannual deadlines. This can include a pre-application or letter of inquiry (LOI) stage. Quarterly or biannual deadline gives funders a granting calendar which allows program officers to schedule time after the end of one cycle and beginning of the other to conduct site visits, develop relationships, and strategize.
  - Option 2: Creating a Request for Proposals (RFP) process managed by a program officer with specific objectives. RFPs can easily become a strategic initiative if the cluster of grants awarded is focused on accomplishing a common goal. Organizations can create multiple RFPs to meet the needs of multiple stakeholders. This allows program officers to specialize and become content knowledge experts and make evaluation of the organization's overall impact easier.
- **Build in flexibility** with either option by considering the creation of a smaller, capacity-building fund. This would allow funders to maintain its responsiveness to nonprofits and relationships within their local nonprofit sector.
- **Communicate** the revised strategy and objectives consistently and thoroughly with all grantees and potential grantees through the website, letters, meetings, and so forth. This also includes updating third-party information, such as found in grant databases.
- Utilize **employee councils** as reviewers to create efficiencies and build internal knowledge and satisfaction with an organization's philanthropic program.
- Consider having **fewer, but larger grants**, including multi-year grants. This will reduce the overall number of grants in a program officer's portfolio allowing for more time to build relationships, conduct due diligence, and strategize. Nonprofit also report larger, multi-year grants have a greater impact on their operations because these grants are built into longer term programming and budgeting.

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