Emerging Practices in Funding Nonprofit Technology

BY THE TECHNOLOGY ASSOCIATION OF GRANTMAKERS
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Introduction

As the nonprofit sector continues to embrace the transformative power of technology, the landscape of funding opportunities is evolving to meet the unique needs and challenges faced by organizations in this digital age. This whitepaper aims to shed light on the emerging practices in funding nonprofit technology, providing valuable insights and guidance to grantmakers, philanthropic organizations, and stakeholders invested in the nonprofit sector.

Since 2020, the Technology Association of Grantmakers (TAG) has been at the forefront of fostering discussions and facilitating knowledge sharing on the evolving practices in funding nonprofit technology. Through a series of meetings, webinars, and publications, TAG members have identified the pressing need for effective funding strategies in this digital era. These ongoing conversations have created a vibrant forum for industry professionals to exchange ideas, experiences, and innovative approaches. Leveraging the insights gained from these interactions, this whitepaper identifies and explores the leading practices that have emerged as innovative approaches to funding nonprofit technology.

Access resources on funding nonprofit tech at https://www.tagtech.org/page/fundingtech.

Six Emerging Practices

Grantmakers are evolving their approach to funding operational technology needs for nonprofits, with a variety of innovative practices gaining prominence. While no single funder embraces all six approaches, these emerging practices represent a menu of options that leading funders have adopted to meet the needs of nonprofits in the digital age.

1. **Use of a "Strategy, Skills, Tools" Framework for Assessment and Funding:** Grantmakers are adopting a comprehensive framework that assesses nonprofit technology needs by evaluating their existing technology strategy, digital skills, and identifying essential tools required for success. This approach ensures a strategic and holistic allocation of resources. Learn more on page 2.

2. **Providing Direct Services:** Grantmakers are offering direct services to nonprofits, either through their own dedicated teams or intermediaries. These services encompass IT-related assessments, strategic advice, fractional Chief Information Officer (CIO) support, tool provisioning, skills and capacity-building, as well as bundled services from Managed Service Providers (MSPs). Learn more on page 4.
3. **Cohort-Based Learning:** Grantmakers are facilitating cohort-based learning experiences for nonprofits, enabling them to learn and collaborate with peers facing similar technological challenges. These learning communities foster knowledge exchange, skill development, and mutual support. Learn more on page 4.
4. **Inviting Existing Grantees to Apply for Tech Grants:** Grantmakers are extending technology-focused grant opportunities to their existing grantees, recognizing the importance of integrating technology into their operations and programs. This approach allows nonprofits to leverage their established relationships and familiarity with the grantmaker's mission and values. Learn more on page 6.
5. **Adding 10% for Tech:** Grantmakers are incorporating technology funding as a dedicated percentage of their overall grant awards. By setting aside a specific portion for technology-related expenses, grantmakers acknowledge the critical role technology plays in the nonprofit sector and provide organizations with the necessary resources to invest in their technological infrastructure. Learn more on page 7.
6. **Pooled Funding:** Grantmakers are joining forces through collaborative funding initiatives to pool resources for technology-focused grants. This approach leverages collective expertise and funding power, enabling greater impact and support for nonprofits seeking to enhance their technological capabilities. Learn more on page 8.

Throughout this whitepaper, we will delve into each of these emerging practices, highlighting their benefits, implementation strategies, and real-world examples of successful implementation. By embracing these innovative funding approaches, grantmakers can empower nonprofits to leverage technology effectively, fostering their growth, resilience, and ability to create lasting social impact.

Use of a "Strategy, Skills, Tools" Framework

Grantmakers in the realm of nonprofit technology have recognized the limitations of solely providing funding for operational needs. They understand that a more comprehensive approach is necessary to drive sustainable impact for nonprofits. To address this challenge, grantmakers are increasingly adopting a "Strategy, Skills, Tools" framework when assessing nonprofit needs holistically and providing support. This framework empowers nonprofits to:

1. **Evaluate their existing technology strategy:** Nonprofits are encouraged to critically evaluate their current technology strategy, considering its alignment with their mission, goals, and desired outcomes. This assessment helps identify areas for improvement and informs strategic decision-making regarding technology investments. Funders often provide tools and advisors for this assessment as needed.

2. **Assess the level of digital skills within their organization:** Nonprofits are prompted to assess the digital skills of their staff, volunteers, and leadership. By understanding their existing skill set, organizations can identify gaps and develop targeted training and capacity-building programs to enhance their digital capabilities.
3. **Identify the technology tools required to thrive in the digital landscape:** Nonprofits are guided to identify and prioritize the essential technology tools needed to thrive in the digital age. This includes evaluating software, hardware, digital platforms, and other technological solutions that align with their strategic objectives and operational needs.

Based on this holistic assessment, grantmakers are able to provide a bundled package of support to nonprofits. This support often includes advisory services, training programs, and funding for tools selection and implementation. By combining these resources, grantmakers empower nonprofits to make informed decisions, build capacity, and effectively leverage technology to achieve their mission-driven goals.

Learn more about the use of a "Strategy, Skills, Tools" assessment in the example below. For the successful implementation of bundled services related to strategy, skills, and tools, refer to the detailed case study in the Appendix on page 10.

The TechConnectKC Program at the Kauffman Foundation

Organization: Ewing Marion Kauffman Foundation
Asset Size: $2.5 billion
Full Org Staff Size: 100

At the Kauffman Foundation, equity and inclusion are key priorities of our mission and are what drove the development of our Technology Impact Program. One of the program's first assignments was to better understand community needs and how the Kauffman Foundation could have a more meaningful impact. This led us on a two-year journey of discovery that involved working with other local community-based organizations. In 2022, this culminated in a landscape analysis that validated our learnings and laid the foundation for implementing our targeted funding strategies.

Partnering with TechConnect KC, the Kauffman Foundation's technology services intermediary, we implemented an assessment process to evaluate a candidate organization's current state of technology, including their strategic approach, current tools, and resources, as well as their business needs and goals. From that information, we developed a product and service roadmap that was combined with other information about the potential grantee to inform the foundation's final funding decisions.

The assessment process serves several vital purposes including providing a view into the costs and timelines involved, as well as the potential value that could be derived from the proposed roadmap. It also lays the groundwork for assessing the increased impact and improved social outcomes that are central focuses of the Kauffman Foundation's strategic goals.

Providing Direct Services

Funders are increasingly recognizing the power of direct services in building nonprofit capacity to amplify their missions by leveraging technology, streamline their operations, and make a more substantial impact on the communities they serve. Direct services, whether provided by foundation teams or through intermediaries, offer a range of support options tailored to the specific needs of nonprofits either as a standalone offering or when coupled with funding for technology. These services encompass various dimensions of technology implementation and capacity-building, including IT-related assessments, strategic advice, provisioning of fractional Chief Information Officers (CIOs), tool provisioning, skills development, and bundled services from managed service providers (MSPs).

Some funders, such as the Ewing Marion Kauffman Foundation, do not provide direct services to grantees but rather work with the community and community partners like TechConnectKC to provide the support needed. Learn more about the TechConnectKC program on page 10.

Grantmakers seeking to provide direct services themselves will find inspiration in the example below from the William and Flora Hewlett Foundation located in Menlo Park, California.

IT Grantmaking at the Hewlett Foundation

Organization: William and Flora Hewlett Foundation
Asset Size: $14.9 billion (IT Department Annual Grant Budget $110K)
Full Org Staff Size: ~130

With a modest grantmaking budget of approximately $100,000 per year, the IT department's grantmaking strategy maximizes leverage by supporting intermediaries or organizations that can utilize this capital at scale. Grants typically provide general operating support for local technology-based organizations that work with historically marginalized and disenfranchised communities. Our 2023 grantee, Fast Forward, aims to "mobilize the resources tech nonprofits need to create positive impact at scale" by bridging the technology and nonprofit sectors to build capacity for tech nonprofits.

As an accelerator, we believe Fast Forward will amplify the impact of our grant by assisting technology nonprofits with their growth, including securing additional funding. Fast Forward has had 79 technology nonprofits participate in their Accelerator program, helping to secure $519 million in follow-on funding raised. Last year they also added a Growth Accelerator to help solidify high-growth tech nonprofits as leaders in the social sector.

In addition to their Accelerator programs, Fast Forward also provides direct services to technology nonprofits by providing a Tech Nonprofit Playbook, Tech Nonprofit Academy, Pitch Camp, and Employee Engagement Campaigns. The Tech Nonprofit Playbook is freely available and includes best-in-class advice from the leaders whose work has transformed the social impact space.

Cohort-Based Learning

Increasingly, grantmakers are embracing the ways that cohort-based learning models can be adapted into effective funding strategies. By combining peer learning, professional development, and a built-in support network, this reimagined grantmaking approach promotes more lasting experiential learning and deeper community building amongst participants. Particularly helpful when applied to digital transformation and technology strategy, cohort-based learning offers a dynamic and collaborative approach that brings together nonprofit staff to build tech skills, join training, and develop strategies, policies, budgets and more. By joining a cohort, nonprofits gain access to a community of peers in a similar place with technology; peer relationships that can be supportive for years to come. Moreover, these relationships can form the basis for broader change within an ecosystem an approach favored by the Okta for Good Fund within the Okta company.

Learn more below about how Okta for Good utilized cohort-based learning best practices to support the work of thought leaders in nonprofit technology.

The Nonprofit Technology Initiative at Okta for Good

Organization: Okta for Good
Full Org Staff Size: 10

In 2019, Okta for Good launched our Nonprofit Technology Initiative—the foundation of a three-year commitment to invest $10 million out of the Okta for Good Fund. We launched the Nonprofit Technology Fellowship in 2021 as a program within that Initiative. Our goal is to empower a diverse cohort of nonprofit technology leaders to enrich the sector with their experience and become more strategic leaders within their organizations.

During the six-month fellowship, participants develop at least one significant piece of content such as an article, conference session, or presentation. Okta for Good supports professional development through facilitated gatherings, one-on-one coaching, and networking in addition to a $25,000 grant to their organization. To date, we've worked with 16 Fellows - thought leaders who are building the future of technology, innovation, and social impact - some of which come from our existing grantees.

Core to our philanthropic approach is a commitment to learning, which enables our ability to be thoughtful and intentional funders. We believe in the power of fostering space for leaders to learn in community with one another, and this Fellowship creates a time and place for those who know technology can be an enabler for impact on society's most critical issues.

Inviting Existing Grantees to Apply for Tech Grants

While the practice of inviting existing grantees to apply for additional targeted grants is not new in the realm of grantmaking, an emerging trend is the allocation of funds specifically for technology-related expenditures. This shift has been accelerated by the pandemic and the rapid growth of artificial intelligence solutions, highlighting the imperative for nonprofits to adapt their operations and programs to thrive in an increasingly digital world. In response, several foundations have introduced grant cycles dedicated to providing existing grantees with technology-related funding.

This approach of offering technology-specific grants to existing grantees offers several significant benefits. Firstly, it streamlines the application process, as the time spent collecting and reviewing standard grant eligibility documents is greatly reduced. Secondly, it prompts nonprofits to assess their technological landscape, enabling them to identify challenges and opportunities for improvement. Finally, foundations can forge stronger partnerships with their nonprofit grantees by committing funding to their operational excellence, previously considered "overhead."

The Data Practice Accelerator at the McGovern Foundation

Organization: Patrick J. McGovern Foundation
Asset Size: $1.4 billion
Full Org Staff Size: 24

The Patrick J. McGovern Foundation's Data Practice Accelerator runs under a cohort-based model. We curate our annual selection of grantees around a specific thematic issue to maximize opportunities for peer-to-peer engagement. During each grant period, nonprofit participants demonstrate a commitment to shared learning — from engaging in our asynchronous Slack Learning Network to documenting processes and providing examples of how other nonprofits can make progress on their own data journeys in impactful, responsible, inclusive ways.

Data Practice program and technical leads conduct matchmaking exercises between cohort members who are exploring similar data approaches or impact areas, produce fireside chats, panel discussions, and workshops around topics of shared interest to the cohort, and help cohort members truth-test their approaches with an audience of trusted peers. Relationship management is critical to creating a trusted environment that enables learning between the Foundation and its grant partners, and among the grant partners themselves. In 2022, the team collaborated with its grantees to set six principles of engagement to shape that environment.

Our cohort-based approach helps nonprofits gain greater visibility into the iterative processes and best practices of their peers, reduces duplicative efforts, hastens progress on meeting shared impact goals, and deepens nonprofit cultures of data use.

Adding 10% for Tech

As grantmakers continue to recognize the importance of nonprofits having a strong technological infrastructure, a growing number of institutions are offering to add 10% of a requested grant amount to be allocated for technology-related expenses. This strategic allocation reflects philanthropy's commitment to ensuring technology is an operational enabler at partner organizations. It also sends a clear message to nonprofits that they should take an intentional approach to assembling their technology solutions and systems.

"Allocating 10% for tech is incredibly important because it creates a path for necessary technology investment and support for all grantees, regardless of their project or program work - as we all know, technology is required as an underpinning for all programs and missions. As we highlight in the "Equity Guide for Nonprofit Technology", including technology-related budget in all grants acknowledges the often-invisible work nonprofit staff do every day to make their programs successful and even their grant reporting possible."

Amy Sample Ward
CEO, NTEN

Pooled Funding

In an effort to catalyze the greatest impact within their mission priorities, an increasing number of grantmakers are turning to collaborative funding initiatives specifically designed to support technology improvements at nonprofits. The effectiveness of pooled funding is rooted in systems change thinking, which recognizes that to achieve philanthropy's social change goals, funders must commit to working with one another, as well as other sectors. With a shared understanding of the vital role technology plays in advancing nonprofit missions and streamlining their day-to-day operations, these funders are helping to drive sustainability at their grantee partners' organizations.

Following this grantmaking approach, Okta for Good launched a collaborative funding initiative aimed at strengthening cybersecurity at civil society organizations in and near Ukraine. Read below to learn more about how this joint effort helped reinforce Okta for Good's commitment to building the capacity and technological infrastructure of organizations working to improve the world.

Fostering Collaboration Among Funders and Across Grantees

Organization: Okta for Good
Full Org Staff Size: 10

As part of its philanthropic approach, Okta for Good places an emphasis on collaboration, across funders and amongst its community of grantees. In 2022 we launched a $1 million initiative to support better security for nonprofits, providing six grants for global projects ranging from training to incident response support. We were the founding partner of TechSoup's Civil Society Strengthening Fund - helping civil society organizations in and around Ukraine strengthen their cybersecurity posture - contributing a grant and recruiting tech peers to join us including Zscaler and Zendesk.

In exploring new philanthropic focus areas, we value the opportunity to join existing efforts to learn in proximity with other funders. When Open Technology Fund announced the Free and Open Source Software Sustainability Fund, we joined Schmidt Future's Plaintext Group, Omidyar Network and the Github Foundation as funding partners thanks to our shared interest in open source technologies and the security and sustainability of these tools. Finally, to continue investing in and fostering community among our grantees, we partnered with Raise for Good on a capacity strengthening program reaching 22 leaders across 13 organizations in a cohort-based learning experience focused on brand & storytelling, fundraising, operations and more.

Conclusion

In addition to the practices noted in this whitepaper, there are other emerging approaches in funding nonprofit tech that demonstrate innovative strategies and collaborations. The Siegel Family Endowment, for instance, is actively supporting nonprofits in developing data stewardship policies. By providing guidance and resources, they empower nonprofits to effectively manage and leverage data for greater impact. Similarly, the Kauffman Foundation has taken a unique approach by developing a standardized "product" based approach to scaling services. Treating nonprofit offerings as products, they enable organizations to develop scalable models that can be replicated and expanded more efficiently.

Another noteworthy practice is exemplified by organizations like Jessie Ball duPont Fund (JBdF), which focuses on software application development for shared technology needs. By creating digital platforms and tools, JBdF helps nonprofits address common challenges collectively, fostering collaboration and resource sharing. Additionally, foundations like Ballmer Group and Okta for Good have pioneered effective partnerships with private sector companies, leveraging their expertise, resources, and innovative solutions to drive social change.

These emerging practices in nonprofit funding highlight the growing recognition of the importance of data stewardship, scalability, collaboration, and private sector partnerships. By embracing these innovative approaches, funders and nonprofits can unlock new avenues for success, create lasting change, and maximize their collective impact.

Learn more at https://tagtech.org/fundingtech.

Contributors

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APPENDIX:
Profile of the TechConnect KC Program

The Technology Impact Program of the Ewing Marion Kauffman Foundation was launched to address the community's digital equity and technical capacity needs. Through collaboration with TechConnect KC, an intermediary organization, the program focuses on programmatic alignment, community funding, and technology support. By utilizing the "Strategy, Skills, Tools" framework, the program assesses the technology capacity of potential grantees and provides direct services through TechConnect KC.

The conversation below with Donell Hammond, Director of Technology, and Kevin Bowman, Technology Advisor, explores their experiences and insights gained from implementing the Technology Impact Program. Their collaboration and dedication to digital equity and strategic partnerships have resulted in meaningful outcomes for the community.

WHEN DID YOU LAUNCH YOUR TECH FUNDING PROGRAM? AND WHAT PROMPTED THIS?

What would become the Technology Impact Program began several years ago with the Technology team's interest in using our experiences and knowledge to benefit grantees and the community; address a known issue impacting Kansas City and our grantees. These conversations took a significant step forward during Covid when the community's lack of digital equity and technical capacity became painfully apparent. The subsequent 18-24 months were spent in discovery, working with other organizations in the community to better understand the needs and how Kauffman could have a meaningful impact.

This culminated in completing a landscape analysis in 2022, which validated our learnings and laid the foundation for implementing our strategies. As a result, in 2023, Technology alongside program areas, are working hard to fully implement plans, investing in capacity-building dollars to scale the work with multiple grantees in the community.

HOW WOULD YOU DESCRIBE YOUR PROGRAM? AND HOW DOES YOUR PROGRAM FOCUS ON OPERATIONAL TECH AND/OR DATA INFRASTRUCTURE IN CONTRAST TO PROGRAM-SPECIFIC TECHNOLOGY REQUESTS?

Our Technology Impact work is composed of three main components:
1. **Programmatic Alignment:** Coordinating technology investments and organizing capacity-building grants in support of digital equity and grantee technology support.

2. **Community Funding:** Working with funding partners in the community to establish resources supporting Digital Literacy, Policy and Technology Infrastructure to address immediate issues in Kansas City.
3. **Technology Support:** Providing Strategic technology guidance and essential technology capacity to underserved organizations in the community by leveraging community partners like TechConnect KC.

Programmatic Alignment and Community Funding are in their infancy; however, Kauffman has learned and developed a lot as part of our Technology Support approach, primarily through an intermediary organization, TechConnect KC. TechConnect KC acts as a trusted advisor and a connector in the community, guiding how to improve technical capacity, resources such as policy templates, how-to guides, sample processes that are broadly applicable to nonprofit organizations, and connections to solutions. In this way, TechConnect KC works as a bridge, providing connections to resources and providers that can fill needs, complimenting rather than competing with existing managed service providers. Much of this is currently focused on operational technologies, leveraging commoditization and standardization to provide technology solutions with repeatability, leading to organizational efficiencies and impact and able to be delivered in ways that can be scaled to meet the vast need.

WHICH OF THE FOLLOWING APPROACHES DO YOU USE AS PART OF YOUR PROGRAM?

☒ Use of a "Strategy, Skills, Tools" Framework for Assessment and Funding
- The initial step in working with a potential grantee is to perform an assessment. This establishes a framework to identify technology capacity (including strategy, skills and tools) as part of identifying how to best help the organization, and to ensure our investment is targeted to those groups who align best with the Foundation's priorities.

☒ Providing Direct Services (through your foundation or an intermediary)
- Yes – through our partner intermediary TechConnect KC

☐ Cohort-Based Learning
- These are among our future plans, seen as a way to further scale our efforts and broaden our reach.

☐ Inviting Existing Grantees to Apply for Tech Grants
- Not currently under consideration but has been discussed as a future possibility.

☐ Adding 10% for Tech
- This is currently under consideration in partnership with our program team.

☐ Pooled Funding
- This is also under consideration in partnership with the Greater Kansas City Community Foundation.

HOW DID YOU MAKE THE CASE FOR THE PROGRAM?

We have made the case for our work primarily through doing the work. We have been fortunate to have several tech-savvy board members who understand the critical importance of technology in modern society. With their support and encouragement, we took a 'boots on the ground' approach, working closely with other Program Officers to engage grantees while investing in the technology support intermediary. This 'learn by doing' approach allowed us to leverage an independent organization's technology expertise and resources to work directly with grantees and other nonprofits to learn their needs and develop technology products and services, delivery models, and sustainability plans in a highly tactile, rapid-response approach.

WHO ARE YOUR KEY PARTNERS IN THE SUCCESS OF THE PROGRAM?

We have partnered closely with the other EMKF program team. In addition, our intermediary TechConnect KC has been critical to developing our strategy and implementing our program. As we continue to scale the program, we are working with other funders in the community to scale the services beyond the traditional reach of EMKF.

HOW DO YOU MEASURE AND TRACK THE IMPACT OF THE PROGRAM?

Across the Foundation, we have a focus on equity and inclusion as part of the Foundation's mission. To support these initiatives, metrics around race, gender and geography are collected from all grantees.

To help fully understand the ultimate outcomes of our Technology Impact work, we are initially collecting metrics including:
- Number of nonprofits served.
- Number of people reached.
- Number of partner connections established.
- Client retention.
- Number of people served by client organizations.
- Impact on community (as measured by nonprofit organization)

As with all our work, we work in an iterative manner, and fully expect our key performance indicators and metrics to grow over time.

WHAT HAVE YOU ADAPTED SINCE THE LAUNCH OF YOUR PROGRAM? WHAT HAVE YOU LEARNED?

While increasing the technical capacity of the community was always a key goal of the program, the degree to which we could leverage Kauffman's education focus towards this goal was not well understood initially. We have realized that our intermediary technical support organization approach

provides a unique opportunity to provide real-world learning experiences to underserved individuals, who are ideally positioned to leverage their developing skills to get good jobs and contribute to the ongoing technology needs of the organizations and communities we serve.

WHAT ADVICE WOULD YOU SHARE WITH A FUNDER INTERESTED IN LAUNCHING A TECH-FUNDING PRACTICE OR PROGRAM?

Don't try to do it by yourself. To reach and have a meaningful impact in the community requires technical expertise, time, and experience in the organizations you want to serve. Find people in the community with those unique skills and experiences.

Focus on the strategic / partnership needs. There are lots of businesses that provide helpdesk services, but very few that give the strategic direction and partnership small nonprofits lack.

Think long-term. Technology is a utility – it's not a project. Think about how to fund for 3+ years.