



GEORGETOWN UNIVERSITY

McCourt School of Public Policy
Center for Public & Nonprofit Leadership

Headwaters Foundation: Redefining How Philanthropies Evaluate

2023 Case Study

Hyla Jacobson
Masters in Public Policy 2024
McCourt School of Public Policy

CENTER FOR PUBLIC & NONPROFIT LEADERSHIP

McCourt School of Public Policy
600 New Jersey Avenue NW
Washington, DC 20001
Phone: 202-934-0747
Email: cpnl@georgetown.edu
Website: <http://cpnl.georgetown.edu>

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INTRODUCTION

I. Headwaters Foundation History and Background

The Headwaters Foundation is a health-conversion foundation based in Montana. Health conversion foundations are “formed when a nonprofit hospital, health care system or health plan is either acquired by a for-profit firm or converted to for-profit status. The proceeds from these transactions are transferred into the endowment of a foundation that maintains the general mission of the entity which was sold (that is, improving or advancing the health of the population served by the entity).”¹ When the Community Medical Center in Missoula, a non-profit hospital, was sold to a larger for-profit hospital in 2015, the funds from this sale were used to create Headwaters Foundation. Headwaters Foundation serves the Flathead Nation and Montana’s 15 westernmost counties, which are the geographic locations where patients of the Medical Center primarily lived.

Three of the original hospital board members stayed on to serve on Headwaters Foundation’s board, along with six community members. During 2016 and 2017, these nine founding board members began working to create incorporating documents, build out the investment portfolio, and recruit a CEO for the foundation. In 2017, Brenda Solorzano was hired as the first CEO of Headwaters and began building the foundation from the ground up.

Headwaters Foundation invests in community-led solutions to improve the health and well-being of Western Montanans. They focus on changing the systems and policies that keep people from being healthy by taking an “upstream approach” that recognizes that a person’s wellbeing is powerfully influenced by factors “upstream” from medical care such as access to nutritious food, stable housing, and opportunities for positive childhood experiences.² Headwaters Foundation’s funding areas include early childhood, Native American health and well-being, policy and engagement, and GO! Grants for rural communities.³

II. Case Study Focus

When CEO Brenda Solorzano began to build Headwaters Foundation, she sought to create a foundation that shifted the paradigm of what philanthropy could look like by examining the power dynamics that existed between foundations, grantees, and the communities they serve. Headwaters Foundation seeks to “bend the power dynamic,” so that people with lived experience, not the foundation, get to define the problem, dictate solutions, and determine what success looks like in their community.⁴

In her previous roles in philanthropy, Brenda was responsible for evaluation and learning work and became aware of the limitations in traditional evaluation practices. Coming to Headwaters Foundation, Brenda wanted to apply this paradigm shift to their evaluation process. She knew

¹ Easterling, Doug, et al. “Hospital & Health Conversion Foundations.” Stakeholder Health, 14 May 2016, <https://stakeholderhealth.org/conversion-foundation/>.

² “What We Fund.” Headwaters Foundation, 2023, <https://www.headwatersmt.org/what-we-fund/>.

³ Ibid.

⁴ Hyla Jacobson, Brenda Solorzano, Personal Interview.

that setting certain evaluation metrics for grantees to meet was burdensome and not an effective way to define success. As a result, Headwaters Foundation has developed an evaluation process that gives grantees and the community a central role in determining what success looks like and how Headwaters Foundation can help them along the way.

The purpose of this case study is to examine (1) the paradigm shift in philanthropy that Headwaters Foundation is building in their organization, and (2) how this shift has translated into their evaluation process. This case study may be useful to other foundations seeking to take a trust-based approach to philanthropy by providing an example of how to challenge existing power dynamics in philanthropy, specifically within the evaluation process.

Much of the content for this case study comes from interviews with Headwaters Foundation’s staff, board members, and grantees. The chart below provides a list of people interviewed for the development of this case study.

List of Case Study Interviewees

Name	Role	Organization
Brenda Solorzano	Chief Executive Officer	Headwaters Foundation
Dorey Rowland	Local Collaboration Coordinator/ Grantee	Zero to Five Lincoln County
Erin Switalski	Program Director	Headwaters Foundation
Kelley Rischke	Board Vice Chair	Headwaters Foundation
Stephanie Schilling	Evaluations & Operations Associate	Headwaters Foundation

PART I: PARADIGM SHIFT

I. Paradigm Shift Approach

Headwaters Foundation takes a trust-based approach to philanthropy. Trust-based philanthropy seeks to transform traditional philanthropy by adopting a core set of values “rooted in advancing equity, shifting power, and building mutually accountable relationships.”⁵ For Headwaters Foundation, trust-based philanthropy is at the core of the paradigm shift they have established in their foundation. Traditionally, a foundation “sets the parameters of what to fund, and grantees will explain how their work fits these parameters.”⁶ Additionally, this “transactional relationship between the funder and grantee” fortifies the power imbalance between the two groups.⁷ Headwaters Foundation’s adoption of a trust-based approach allows them to create a paradigm shift that challenges these tenets of traditional philanthropy.

For Headwaters Foundation, this paradigm shift means “bending the power dynamics.” Instead of holding all the power internally, Headwaters has shifted power to their grantees and the community. The paradigm shift seeks to give power to people with lived experience who have been historically left out of decision making. This allows the grantees and the community to take the lead in deciding how funding is best used to support their work, rather than the foundation making decisions for them. Headwaters’ Program Director Erin Switalski thinks of their role as “holding space and working in service of [their] grantees” to understand their work and their goals⁸. Evaluations & Operations Associate Stephanie Schilling echoed this notion, referring to Headwaters Foundation as the “capacity builder.”⁹ This paradigm shift highlights the notion of a trust-based philanthropy approach.

II. Paradigm Shift in Practice

In theory, trust-based philanthropy can be relatively simple to understand, but in practice, it can be difficult to implement because there are few models of how to successfully shift power. The Headwaters Foundation is helping chart new territory as it explores a variety of ways to make trust-based philanthropy a reality.

Strategic Direction

From the start, Headwaters decided that rather than having their board decide the foundation’s priorities and what to fund, their work would be driven by what the community identifies as funding priorities.

⁵ Trust-Based Philanthropy Project. Overview - Trust-Based Philanthropy. Trust-Based Philanthropy Project, <https://www.trustbasedphilanthropy.org/overview>.

⁶ Hirsch-Holland, Anna. “Trusted Partnership: Pushing the Boundaries of Traditional Grant-Making and Trust-Based Philanthropy.” Alliance, Alliance Publishing Trust, 28 July 2022, <https://www.alliancemagazine.org/blog/trusted-partnerships-trust-based-philanthropy/>.

⁷ Ibid.

⁸ Hyla Jacobson, Erin Switalski, Personal Interview.

⁹ Hyla Jacobson, Stephanie Schilling, Personal Interview.

600 Cups of Coffee Initiative

For the first six months in her role as CEO, Brenda drove up and down western Montana having coffee with everyday Montanans to hear what they thought Headwaters Foundation should focus on. Brenda asked each person two questions:

1. What is the most pressing health care issue or need that this foundation should address?
2. If you had a magic wand, and had the money, how would you deploy these resources to address this issue or need you identified?

From these “600 cups of coffee” conversations, common themes came up. One theme was that Montanans told her that focusing on immediate needs would have little impact. Rather, there was a need for a more holistic and upstream approach to health that would be proactive instead of reactive to problems. These conversations were used to develop Headwater Foundation’s strategic framework, which focused on systems change to address social determinants of health, especially for those that impact vulnerable Montanans.

These 600 cups of coffee embody the trust-based philanthropy approach. Not only did Headwaters Foundation provide an opportunity for the communities who will be impacted by the foundation’s work to have a voice and to begin the relationship building necessary for trust-based philanthropy, but Headwaters Foundation allowed these conversations to inform the development of their strategic plan and funding priorities.

Grantmaking

Since Headwaters Foundation’s grant funding is community-driven, their board does not approve grants, as is often the case in traditional foundations. According to Brenda, Headwaters made the deliberate choice to not have their board approve grants because they recognize that they are not the experts. Instead of spending time approving grants, the board focuses on creating a set of “guardrails” for staff to follow each year when making grants. Headwaters Foundation’s Vice Board Chair, Kelley Rischke describes this process as broadly thinking through how the foundation should allocate their budget to each of their funding priorities. This requires thinking through the bigger picture of how to best utilize the budget to align with their strategic framework, but not reading through and approving grants. When deciding to approve and distribute grants, Headwaters staff will screen grantees and make decisions based on these guardrails set by the board.¹⁰

¹⁰ This is the grantmaking process for Headwaters Foundation’s early childhood, Native American health, and policy grants. However, for Headwaters Foundation’s GO! Grants, they utilize a semi-automatic process. This process filters applicants through an initial screen and then they are passed on to a program officer who does the final review and approves or denies the grant.

Learning Culture

Another key theme that arose in interviews regarding the paradigm shift was establishing a “learning culture” among leadership, staff, and board members at Headwaters. When starting Headwaters Foundation, Brenda was intentional about building a learning culture. Brenda describes this process as “creating learning muscles in adults,” which comes from fostering a culture where learning is everyone’s responsibility and expectation.¹¹ This intentionality is seen in several aspects of the foundation, from having a deliberate learning line item in the budget to building in learning responsibilities to everyone’s job descriptions. Having a learning culture also meant being deliberate about building the learning skills of staff and board members. This is achieved by having “learning time on everyone’s calendars” for them to spend time working on their learning plans.¹² Additionally, Headwaters includes learning agenda items on every staff and board meeting and has designated monthly learning conversations.

Shifting Responsibilities

Finally, a big piece of the paradigm shift is changing who does the work so that the burden does not fall on the grantee. For example, Headwaters Foundation does not have a formal application process with requests for proposals (RFPs), because they do not have set standards of what the work should look like. Instead, they follow the community’s lead in identifying organizations to fund. Then when it comes to creating the proposal and providing the grant, Headwaters Foundation staff “does the heavy lifting.”¹³ Rather than requiring the grantee to write up a proposal, a Headwaters staff member will have a conversation with the grantee, enter the information from the conversation into their grant management system, and create the award. Then, the staff member will share this information with the grantee, and the grantee will review it and say whether it is consistent with what they shared. After this process is complete, Headwaters Foundation creates the grant and distributes the funds. This removes the burden from the grantee and allows them to focus on doing the work.

Headwaters Foundation’s evaluation process is another prime example of shifting the burden away from the grantee. This evaluation process will be explored throughout the rest of this case study.

PART II: EVALUATION PROCESS

I. Process Development

When developing their evaluation process, Headwaters Foundation deliberately focused on redefining traditional funder-grantee power dynamics and who gets to define success. Brenda acknowledged that often foundations were the one defining success, however, it was the people on the ground doing the work every day who should be dictating what success looks like. Thus,

¹¹ Hyla Jacobson, Brenda Solorzano, Personal Interview.

¹² Hyla Jacobson, Brenda Solorzano, Personal Interview.

¹³ Hyla Jacobson, Brenda Solorzano, Personal Interview.

Headwaters set out to create an evaluation process with metrics driven by the people in the community doing the work.

To do this, Headwaters Foundation partnered with an outside consultant, FSG, in June of 2019 to build their learning and evaluation framework.¹⁴ Similar to the development of their funding priorities, Headwaters wanted to collaborate with their grantees and community partners to produce a collective theory of change. Headwaters Foundation's theory of change is comprised of seven different outcomes.

Headwaters Foundation's Theory of Change Outcomes:

1. Increased capacity and leadership in the organizations and collaboratives we support.
2. Cultural and narrative shifts take place that prioritize health as a community responsibility rather than an individual one.
3. Underrepresented voices engage in policy advocacy.
4. A better environment for the advocacy of policies that reduce barriers to health.
5. Greater funding for reducing barriers to health and wellbeing from both public and private sources.
6. An increase in services available that address social and economic barriers to health.
7. Stronger relationships and collaboration between organizations from different sectors.¹⁵

These seven outcomes are representative of how the grantees wanted to “assess the progress of their work and what mattered to them when defining success.”¹⁶ Headwaters Foundation uses the theory of change to track their progress towards these outcomes and learn about the work their grantees do in relation to these outcomes.

To develop the theory of change, FSG conducted conversations with Headwaters staff and upwards of 30 different grantees across their different funding areas. During conversations with grantees, FSG asked “open-ended questions about how [grantees] thought about outcomes and heard from them about how they wanted to experience evaluation and learning with the foundation.”¹⁷ They also asked additional questions related to defining and measuring success. Upon completion of these conversations, FSG compiled the various perspectives and overarching themes to create Headwaters Foundation's theory of change.¹⁸

After their theory of change was developed, Headwaters Foundation focused on creating a reporting process that was less burdensome for grantees than most traditional philanthropies.

¹⁴ Cook, Joelle, et al. “Big Sky Thinking: A Look at How the Headwaters Foundation Centered Trust in Their Evaluation and Learning Practices.” FSG, 9 July 2022, <https://www.fsg.org/blog/big-sky-thinking-headwaters-foundation-centered-trust-evaluation-learning/>.

¹⁵ See appendix B to see a more detailed look at Headwaters Foundation's theory of change diagram.

¹⁶ Headwaters Foundation. “Evaluation & Learning Data Book 2021.” *Headwaters Foundation*, 23 May 2022, <https://www.headwatersmt.org/wp-content/uploads/2022/11/Headwaters-2021-Learning-Book-1.pdf>.

¹⁷ Cook, Joelle, et al. “Big Sky Thinking: A Look at How the Headwaters Foundation Centered Trust in Their Evaluation and Learning Practices.” FSG, 9 July 2022, <https://www.fsg.org/blog/big-sky-thinking-headwaters-foundation-centered-trust-evaluation-learning/>.

¹⁸ To learn more about FSG's work with Headwater Foundations to develop their evaluation framework, check out this article written by FSG: <https://www.fsg.org/blog/big-sky-thinking-headwaters-foundation-centered-trust-evaluation-learning/>.

This meant not requiring formal written reports from their grantees, but instead building a relationship with their grantees through supportive check-in conversations. The details of Headwater Foundation’s evaluation process will be examined in the next section.

II. Process Overview

Headwaters Foundation evaluates for three purposes: accountability, learning, and long-term outcomes. Their Knowledge Management System tracks information from grantee conversations as well as evaluation information related to the foundation’s accountability and long-term outcomes metrics. Each year, Headwaters Foundation publishes these evaluation metrics in their Evaluation & Learning Data Book, which is available publicly.¹⁹ Each of Headwaters Foundation’s three evaluation purposes will be explored in more detail.

Evaluation for Accountability

Evaluation for accountability is how Headwaters Foundation tracks the ways they are living into their values as a foundation. They track metrics in their Knowledge Management System related to the grants they award such as: the number of organizations funded; category of grants awarded; amount of grants awarded; and counties served by the grants. They also track survey responses from grantees about their experiences working with Headwaters Foundation. Finally, they track metrics related to their internal culture and values such as staff climate survey responses, staff contributions to the community, and overall progress towards the Foundation’s annual and long-term goals. Headwaters Foundation reports the data related to their accountability to their board on a quarterly basis. These measures hold Headwaters Foundation accountable to the communities they serve.

Evaluation for Learning

Evaluation for learning is how Headwaters Foundation tracks their progress towards the seven outcomes in their theory of change. When it came to tracking this information, Headwaters Foundation knew they did not want to take a traditional evaluation approach where grantees answered a specific set of questions, often quantitative in nature, and reported their progress in various written reports. Rather, they wanted to remove the often-burdensome reporting requirement from their grantees and focus on building relationships through conversations. Headwaters Foundation does offer their grantees the option to write a report rather than having a conversation if that is their preference, but most grantees choose to have these conversations. With their grantees, Headwaters staff typically has a kick-off conversation, quarterly check-in “insights” conversations, and a final check-in at the conclusion of the grant term. These conversations are often conducted via phone or video call but can also include Headwaters staff making in-person site visits to their grantees or attending grantee events to see the work they are doing firsthand.

¹⁹ To learn more about Headwaters Foundation’s evaluation metrics, check out their Evaluation & Learning Data Book from 2021, <https://www.headwatersmt.org/wp-content/uploads/2022/11/Headwaters-2021-Learning-Book-1.pdf>.

The conversations are predominately qualitative in nature, but there are a few specific quantitative questions related to increasing staff capacity and leveraging additional funding. For those questions, staff will email grantees ahead of the conversation so they have time to prepare and can answer those questions via email or during their conversations with staff. The qualitative questions include general check-in questions and some probing questions related to the theory of change outcomes. They also include questions that allow Headwaters Foundation to see where they can provide additional support to their grantees.²⁰

Examples of typical questions asked in these conversations include:

- *“What is working well?”*
- *“What are some of the signs of progress that you are excited about?”*
- *“Are you experiencing any roadblocks or challenges?”*
- *“How can Headwaters Foundation support you in overcoming these challenges?”*

At the conclusion of these conversations, Headwaters staff will go into the knowledge management system and write up a summary of the call. The system has a box for each of the seven theory of change outcomes, so staff will input any relevant information from the conversation to track progress towards those outcomes. Additionally, staff will write up an annual report for each grant where they go over the notes from all the year’s previous conversations and put together an overview of the grant. Tracking this information in the Knowledge Management System allows Headwaters Foundation to pull data and trends for specific outcomes and track overall progress towards their theory of change.

Evaluation for Long-Term Outcomes

The final way Headwaters Foundation evaluates is for long-term outcomes. Their intended long-term impact is to reduce social and economic barriers that keep Western Montanans from being healthy, particularly for families living in poverty and American Indians. They track population health metrics over time to see if the strategies that Headwaters invests in are contributing to positive trends. The focus of their long-term outcomes is on systems change.²¹

III. A Grantee’s Perspective

Headwaters Foundation’s evaluation process was developed in partnership with their grantees; therefore, they place great weight on any feedback grantees provide. In 2022, Headwaters Foundation partnered with the Center for Effective Philanthropy to compile a grantee perception report based on grantees’ opinions of Headwaters Foundation’s processes and partnerships.²² According to the report, grantees spend a median of seven hours on grant requirements over the

²⁰ To learn more about Headwaters Foundation’s grant reporting expectation and process for their grantees, check out their Grant Reporting Expectations document, https://www.headwatersmt.org/wp-content/uploads/2022/11/Grant-Reporting-Expectations_FINAL_5.5.21.pdf.

²¹ To learn more about Headwaters Foundation’s evaluation metrics, check out their Evaluation & Learning Data Book from 2021, <https://www.headwatersmt.org/wp-content/uploads/2022/11/Headwaters-2021-Learning-Book-1.pdf>.

²² A copy of Headwaters Foundation’s 2022 Grantee Perception Report can be located here: <https://www.headwatersmt.org/2022-grantee-perception-report/>.

lifetime of their grant.²³ Headwaters Foundation rated in the top two percent of foundations when it came to reporting processes, demonstrating that their grantees feel their “reporting process is straight-forward, adaptable and a helpful opportunity to learn and reflect.”²⁴

Headwaters Foundation grantee, Dorey Rowland, was interviewed for this case study to provide a grantee perspective to the evaluation process. Dorey is the Local Collaboration Coordinator for Zero to Five Lincoln County, a role she has held since 2019. Zero to Five is a network funded by Headwaters Foundation that is made up of five “locally-led coalitions across Western Montana and a statewide advocacy office in Helena, all working together to give children a great start in life and a promising future.”²⁵ Each local collaborative operates independently with their own budget and workplan, but are united by a common, co-created theory of change.²⁶

Dorey spoke highly about her experience with the Headwaters Foundation’s evaluation process and described the process as having “transparency, integrity, and flexibility.”²⁷ Each year she submits a scope of work for Headwaters Foundation to approve and has an annual end-of-year call. In between those conversations, she elects to have quarterly check-in conversations with Headwaters staff via zoom. She highlighted that having these check-in calls are much less burdensome than filling out complicated reporting forms. In addition to these calls, Headwaters Staff will visit Zero to Five Lincoln County in-person at least once per year, which provides Dorey and her team with a very personal experience to interact with Headwaters and have them see their work firsthand. Several times, Dorey talked about how she looks forward to her conversations with Headwaters staff and “gets excited to update them on her work.”²⁸

A key theme from Dorey was the feeling of autonomy that Headwaters Foundation’s gives grantees. For example, Headwaters Foundation was able to give Dorey’s collaborative three years of funding at one time. This was a real paradigm shift experience for Dorey since she was used to traditional philanthropy where you had to reapply for funding each year and hope that your numbers met what the funder wanted. However, with this trust from Headwaters, Dorey and her team had the freedom to try out different things and figure out the best direction for their work without needing to request approval for everything. Without needing to worry about arduous reporting requirements, or meeting rigid evaluation metrics, Dorey feels that her team has more time to do their work and create positive change in the community.

Additionally, by not feeling like she is being “graded numerically” in the evaluation process, Dorey can be more genuine in sharing what is going on in the work she is doing, even if that

²³ Headwaters Foundation. “2022 Grantee Perception Report Results.” *Headwaters Foundation*, 14 Mar. 2023, <https://www.headwatersmt.org/2022-grantee-perception-report/>.

²⁴ Ibid.

²⁵ Headwaters Foundation. “Headwaters Foundation and Zero to Five: Working Together for Montana Kids.” *Headwaters Foundation*, 5 July 2022, <https://www.headwatersmt.org/headwaters-and-zero-to-five/#:~:text=Zero%20to%20Five%20is%20comprised.life%20and%20a%20promising%20future.>

²⁶ To learn more about Headwaters Foundation’s Zero to Five initiative, check out: <https://www.headwatersmt.org/headwaters-and-zero-to-five/#:~:text=Zero%20to%20Five%20is%20comprised.life%20and%20a%20promising%20future.>

²⁷ Hyla Jacobson, Dorey Rowland, Personal Interview.

²⁸ Hyla Jacobson, Dorey Rowland, Personal Interview.

means sharing something that is not going according to plan.²⁹ Unlike some traditional philanthropies, Headwaters Foundation creates a safe space to learn from mistakes and challenges without the concern that funding will be impacted. Dorey shared that her interactions with Headwaters really “honor her humanness” and make her feel “valued and important in the work” she is doing.³⁰

Dorey also spoke about Headwaters Foundation’s receptiveness to feedback. For example, when submitting her collaborative’s scope of work for their second year of funding, Dorey and her team found the process to feel a little clunky and stressful. Headwaters staff took their feedback and utilized it to streamline the process. This not only points to Headwaters Foundation’s openness to hear and utilize grantee feedback, but also the comfort level of the grantees to share with Headwaters when a part of the process is burdensome on their end. Dorey shared that she not only feels committed to her community, but also to Headwaters Foundation because of the “mutual level of trust and commitment that has been established through their relationship building.”³¹

PART III: TAKEAWAYS FOR THE FIELD

Challenges and Lessons Learned for Implementing a Trust-Based Evaluation Process

I. Challenges

Building a new evaluation process from the ground up was not always easy and has posed some challenges along the way for Headwaters Foundation. For Brenda, a big challenge was getting people to buy into the paradigm shift and alter how they define and evaluate success. This paradigm shift is juxtaposed by a society that is filled with dashboard, graphs, and numeric ratings at our fingertips. Many people expect that collecting and tracking quantitative data is key to determining success. Therefore, trying to instill this paradigm shift and culture change was challenging and did not happen overnight. Brenda acknowledges that with transitions on the board and among staff, the training on this paradigm shift never ends. She will still occasionally get requests for dashboards and other more traditional evaluation metrics. Therefore, it is important to recognize with a paradigm shift comes the acceptance that this will be a continual process of educating the board, staff, grantees, and other stakeholders on the new mindset.

From the grantee perspective, Dorey echoed the challenges that come with adopting a new and abstract process. While she mentioned that learning this paradigm shift can be a difficult process, in the long run it creates a much richer experience between grantees and Headwaters Foundation. Learning together helps grantees feel more ownership and pride in the work and creates the mutual level of trust and commitment to each other. Dorey also mentioned that the mutual trust with Headwaters Foundation makes her “strive to be as trustworthy as possible to continually earn [their] trust.”³²

²⁹ Hyla Jacobson, Dorey Rowland, Personal Interview.

³⁰ Hyla Jacobson, Dorey Rowland, Personal Interview.

³¹ Hyla Jacobson, Dorey Rowland, Personal Interview.

³² Hyla Jacobson, Dorey Rowland, Personal Interview.

Another challenge Headwaters Foundation faced was building out their procedures for collecting information from grantees in their evaluation process. They needed to figure out their best practices for collecting the information, inputting it into their knowledge management system, and then sharing it back out. Initially, they had tried to have precise procedures to code the information they collected in the check-in calls with their grantees by using hashtags for different parts of the questions. Trying to code this information not only became overwhelming, but also caused their check-ins with their grantees to become formulaic. They found that the conversations with grantees were “feeling more formal than relationship based” since they were getting caught up on asking certain questions to collect specific information.³³ When Headwaters staff realized this, they took a step back to think about their big picture goals. Reminding themselves that the purpose of these calls was for relationship-building and not for oversight, Headwaters was able to refocus these conversations on learning with their grantees rather than feeling solely like evaluators.

II. Lessons Learned

With challenges came lessons learned for Headwaters Foundation, many of which can be useful to other foundations looking to change their evaluation processes and adopt a trust-based approach.

Paradigm Shift Buy-In

As mentioned above, getting Headwaters’ staff, board, and grantees to understand and adopt the paradigm shift required for a trust-based evaluation process could be challenging at times. According to Brenda, getting buy-in from Headwaters’ board and staff necessitated a change in how they viewed the parameters of their roles. For the board, it meant “coming to accept that fiduciary responsibilities can be met by more broadly thinking about how to best advance the strategic plan that Headwaters made in partnership with their grantees, rather than maintaining strict control over every programmatic expenditure by reading and approving each grant.”³⁴ For the staff, it meant shifting the role from traditional program staff focused on the front end of grantmaking, to focusing on the back end and making the process as burdenless as possible for the grantee.

From the grantee and community-member perspective, buy-in comes from putting in the work to build trust with the community you serve. According to Dorey, people want to see action, so taking immediate steps to “invest in the trust bank” right off that bat can help the foundation gain acceptance from the community for the work they are doing.³⁵ While the concept of the paradigm shift may be hard for people to grasp right away, being able to see that the foundation is taking input from the community, and acting on that input, will help them build trust and buy-in.

³³ Hyla Jacobson, Erin Switalski, Personal Interview.

³⁴ Hyla Jacobson, Kelley Rischke, Personal Interview.

³⁵ Hyla Jacobson, Dorey Rowland, Personal Interview.

Education Process

The education process surrounding the paradigm shift and evaluation process is ongoing and takes many forms. For staff, it includes having learning time to develop an understanding of trust-based philanthropy during staff meetings, monthly learning conversations, and designated time for individual learning. Staff also need time to cultivate skills to have effective conversations with grantees, collect information from these conversations, and then enter that information into the knowledge management system in a way that will be useful for tracking change.

For board members, there are training sessions about trust-based philanthropy during their onboarding. The Headwaters Foundation board has also been intentional about recruiting board members with different experiences and perspectives. Kelley noted the benefits of including people on the board “who have been on the other side of the table as grantees.”³⁶ Having been through evaluation processes before and understanding things from the grantee viewpoint, they bring an important perspective to the board.

The education process for grantees begins by sharing the philosophy behind Headwaters Foundation’s trust-based philanthropy approach. When they kick off a grant, Headwaters staff takes time to explain their framework and process to the grantee and how it may look different than their past interactions with other foundations. According to Brenda, this is not always an easy conversation since grantees may only know a more traditional approach to evaluation and feel that Headwaters Foundation is “changing the rules on them.”³⁷ Other grantees are ecstatic about the process from the start and have immediate buy-in. Headwaters makes sure to have intentional communication to set expectations between Headwaters and the grantee. This looks like letting the grantee dictate the frequency of their conversations with Headwaters staff and what this will look like (phone calls, video calls, in-person visits, etc.). They let their grantees know they are focused on relationship and trust building through conversations, not written reports, or tracking their spending. According to Headwaters staff, once grantees get used to the evaluation process, many come to question why all funders are not doing it this way.

Receptivity to Feedback

Soliciting and incorporating feedback has been an important part of Headwater Foundation’s evaluation process. Including grantees in the development of Headwater’s theory of change allowed the grantees to have a say in the evaluation process and defining success. Headwaters has also been receptive to grantee feedback since implementing their evaluation process. For example, Erin shared that when Headwaters first began their evaluation process, they initially included some more quantitative metric questions. However, because they had developed good relationship with their grantees, many of the grantees were candid with Headwaters and expressed that they did not think the quantitative questions being asked were meaningful. Grantees disclosed that they were making up arbitrary numbers to answer questions that could not be easily quantified. After receiving this feedback, Headwaters adjusted these evaluation

³⁶ Hyla Jacobson, Kelley Rischke, Personal Interview.

³⁷ Hyla Jacobson, Brenda Solorzano, Personal Interview.

questions. Being receptive to feedback from grantees has allowed Headwaters to create an evaluation process that is more effective for them and their grantees.

Culture of Transparency

Headwaters Foundation is different, and they have created a culture where grantees are extremely transparent in their conversations with Headwaters staff. According to Brenda, Headwaters Foundation has had experiences where grantees have come to them within a month of receiving their grant to express problems they are facing and request help, and most times it is not needing more funding, but in another area where they would like support from Headwaters. When grantees are not concerned with adhering to traditional evaluation methods, they feel safe disclosing any challenges they are facing. This transparency benefits the grantee as they can get support instead of feeling pressure to coverup challenges they are facing. This transparency also benefits Headwaters Foundation because they gain a more comprehensive understanding of what is and is not working, which can better help them serve the community.

Willingness to Fail and Accept Imperfection

A final key lesson learned for Headwaters Foundation was accepting that failure is a part of the process. Kelley noted that everyone came into the process “expecting to have failures and not get it all right the first time.”³⁸ They recognized that they were implementing a new model and introducing new ideas, and with that comes failures and obstacles to overcome. With a willingness to fail also comes the departure from the idea that everything must be perfect. According to Stephanie, it is important to not let “perfection be the enemy of a good thing.”³⁹ When building a new model, it can be easy to let the pressure of getting something right the first time hinder moving forward with the process, but it is okay to make mistakes and learn as you go. Headwaters Foundation is also instilling this mindset among their grantees. They work to emphasize that grantees do not need to come into their conversations with Headwaters having prepared a polished presentation of specific talking points, which are often expected in traditional reporting. Rather than requesting perfection, Headwaters Foundation’s evaluation process highlights the mutual accountability and partnerships they build with their grantees as they work together to create systems change in their community.

³⁸ Hyla Jacobson, Kelley Rischke, Personal Interview.

³⁹ Hyla Jacobson, Stephanie Schilling, Personal Interview.

APPENDIX A: List of Interviews

Kelley Rischke, Vice Board Chair, Headwaters Foundation, March 13, 2023

Dorey Rowland, Local Collaboration Coordinator, Zero to Five Lincoln County (MT), March 29, 2023

Stephanie Schilling, Evaluations & Operations Associate, Headwaters Foundation, March 16, 2023

Brenda Solorzano, Chief Executive Officer, Headwaters Foundation, March 1, 2023

Erin Switalski, Program Director, Headwaters Foundation, March 16, 2023

APPENDIX B:

Headwaters Foundation Theory of Change

Our purpose

Why we do our work:

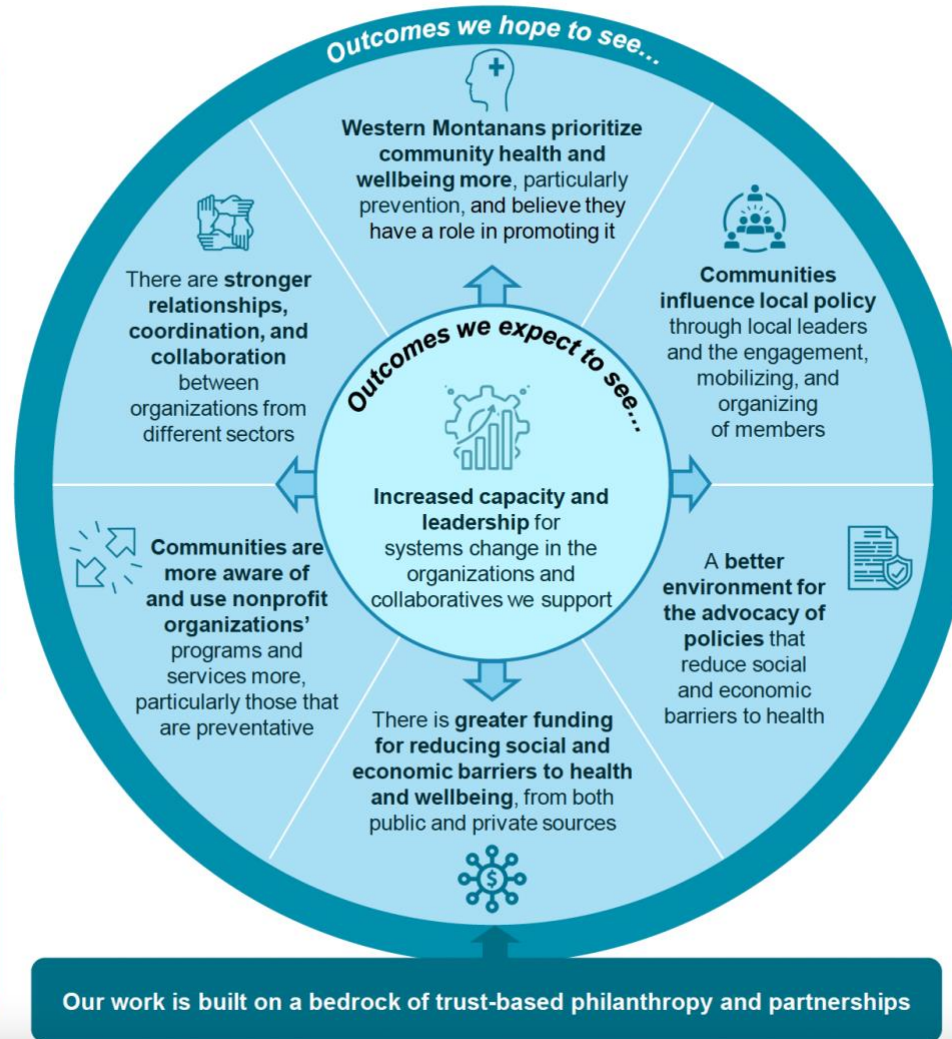
Western Montanans face high social and economic barriers to health and wellbeing, particularly families living in poverty and American Indians.

How we do our work:

Headwaters Foundation was born from community and believes in democratizing philanthropy. We strive to be humble, mindful, and accountable to the people of Western Montana. We believe community-driven efforts will create positive changes upstream in the lives of Western Montanans, reducing the social and economic barriers to their health and wellbeing.

Our strategies

- Strategic Initiatives
- Policy and Influence
- GO! Grants
- Sponsorship
- Strategic Communications
- Capacity Building
- Philanthropic Engagement



Impacts to which we contribute

Reduced social and economic barriers to Western Montanans' health and wellbeing, particularly for families living in poverty and American Indians

An increase in health equity in Western Montana where all, especially communities who face high barriers to health and wellbeing, are healthy and thriving

