

“A More Effective Path for Grantmaking”

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The theme for this conference is performance — and it’s a *fitting* one.

I’m pleased to be part of the conversation about how we can create and sustain performance management practices and cultures, and have a greater impact on solving social problems.

But our desire to change — *our conversations around change* — won’t matter if we don’t fundamentally reimagine the system in which we operate.

That’s what I want to talk about today.

First, I’ll discuss *why* our approach to social change is unsustainable.

Next, I’ll share five steps to a *different path* forward.

Finally, I’ll talk about what’s required from all of us to be successful.

It’s been an exciting decade at the Edna McConnell Clark Foundation, with results we’re enormously proud of.

We *extended our work* in evidence building and evaluation, and that’s having a real impact on the groups we fund and the outcomes they seek.

With our co-investors, we launched an aggressive capital aggregation effort to help proven nonprofits achieve *scale* and *sustainability* for the long term.

And our grantees have changed the life trajectory of a meaningful number of youth — thousands of young people...off the streets...on with life... on to college... and ready for the workforce.

Our partners — like you — are more engaged, more committed, and working harder than ever. Together, our hard work should be adding up.

So why isn’t it? Why do our accomplishments appear so modest relative to the scope of the *problems* we face?

We are doing good work, *satisfying* work.

But I believe — and I suspect many of you feel the same — that our work isn't adding up. And I know, for myself, that can be tremendously dissatisfying!

Despite our best efforts, we see growing inequality and income disparity...stubborn unemployment...and young people adrift at society's margins:

- Today, one in four American high school students will fail to graduate.
- Three in 10 girls will become pregnant before they turn 20.

Poverty... education... public health — pick any issue. It's a grab bag of society's intractable challenges.

Put your hand in and pull out the same prize: a situation that statistics reveal *hasn't changed much* in decades.

More effort, more money, shrewder solutions — yet the same social problems, some more deeply entrenched than ever.

It's a big disconnect. And a disconcerting one.

You know, my English professor back at Hamilton might be surprised but I can't help be reminded of a line in a poem we studied by Ezra Pound, called *The Garden*.

A wealthy woman is walking past a garden path where poor children are playing. She wants to reach out. But she doesn't. She stays — fixed in her position — outside the wall and waits.

Pound describes her this way:

"Like a skein of loose silk blown against a wall... she is dying piece-meal."

Now to be sure, Pound's poem deals with larger themes.

But I think that one phrase describes our situation with great clarity.

Our intentions are good.

We are all *dedicated* to what we are doing; but there is a *myopia* to how we think and behave.

We're stuck.

And — like the woman fixed outside the walls of that garden — I fear **we** are *dying by piecemeal*.

It seems counterintuitive, when we appear to be making so much progress.

But our system — and the logic on which it is based — is flawed.

I say this as a *funder* but also as part of that system. We are all interconnected. And we're all responsible.

Because — despite what we know — we're still wrestling with whether to build preschools now or prisons later.

Because — despite the facts — we are woefully underinvested in what we already know works.

Here's what I mean.

Our grants are radically too small.

We, the funders, provide you, the practitioners, with less funding than you need to achieve results — often *hardly enough* to cover the cost of operations, *let alone* any considerable expansion.

Our support is too restricted.

We tie grants to *programs*, and renewal to *short-term* achievements.

It's a piece-meal way of looking at things.

Funders want 100 percent of the money to go to solving the issue we care about. So we insist on funding programs — not overhead, not talent, training, infrastructure, or IT.

And practitioners have to accept this, because, for you, grants are like oxygen in blood: you need them to stay alive.

So you can't get off the fundraising treadmill to attend to the larger health of your organization.

And all the time and resources diverted to fundraising and administration can eventually lead to poorer outcomes for those you seek to help.

What else is piecemeal?

We measure effort, instead of impact.

Our experience shows that the earlier an organization embraces data collection, performance measurement and evaluation, the better prepared it is to *grow with quality* and extend the impact it's having.

Yet, in a recent Center for Effective Philanthropy study, 71 percent of nonprofits reported their funders provided no support for program assessment *or* evaluation.

Evidence building is not only underfunded — it's misunderstood.

Counting is easy.

Measuring what matters — and applying what's learned — is difficult. It takes training, time and money. It can even be threatening.

But when we neglect our responsibility to measure and evaluate... to learn and adapt... we neglect our responsibility to the very people we exist to help.

As a result **we fail to have greater impact and we fail to scale.**

A for-profit company would never embark on an ambitious business plan without the funds to see it through. Yet we routinely expect nonprofits to grow without being fully capitalized.

Imagine — just 150 of the 200,000 youth nonprofits created since 1970 have an annual revenue of \$50MM.

With all the successes we've seen — how can this be possible?

There are proven solutions all around us. But philanthropy loves the start up, so that's where a lot of the money flows.

We are dying by piecemeal.

Fractional funding. Short-term thinking. Lack of measurement. Failure to scale. Our piecemeal approach is unsustainable — especially at a time when the scope of our challenges and the need for services continue to grow and budgets continue to shrink.

So what can we do about it?

I don't pretend to have all the answers. But I think the dialogue that happens at meetings like this is an essential part of progress.

There are many people gathered in this room — smart and courageous thinkers — who are working hard on solutions.

And I believe, through our collective imagination, we will be successful.

From *my own* experience, I would offer up five things we must do to move past “piecemeal” to a higher level of performance — closer to a place of transformative change.

Here's my list.

One: Make Bigger, Better, Bets

We must get more money to nonprofits in the form of *substantive*, multi-year investments. So you, the practitioners — those on the *front* line — can focus on meeting your strategic goals.

Getting more money is something we can all agree on.

But this isn't just about more money. It's about better money, smarter money — sized *appropriately* for results.

No matter your size, whether you want to expand around the *corner* or around the *country* — you need to be fully capitalized to get the job done.

Aggregating capital upfront to help grantees achieve great performance has been a rewarding experience for our foundation *and* partners.

For example, in 2007, we and 11 partners invested \$40 million in Youth Villages — a Tennessee model for serving America's most troubled youth.

As a result, today, Youth Villages has doubled the number of young people and families it serves across 11 states.

Soon, every young person aging out of foster care in Tennessee will receive these services and face a better life trajectory.

Youth Villages is a big-scale example.

But we're also helping resources flow, in a hopefully better way, to smaller nonprofits through a new approach we've developed, called PropelNext.

My colleague, Lissette Rodriguez will be speaking more about PropelNext on a panel later today.

Two: Untie the Strings

The main reason our combined grants are so potent isn't just their size.

It's the fact they're upfront and unrestricted.

Having access to capital in advance — *flexible and available* over multiple years — means the nonprofits we support can execute their strategic plans with more financial certainty.

In our model, nonprofits are accountable for what they achieve. And funding is based on performance.

With the strings untied, grantees remain free to focus on what they need in order to achieve great performance. Everything from infrastructure building to long-term planning, evaluation, board recruitment, marketing, etc.

Untying the strings while staying focused on performance is central to our philosophy.

And it's how, going forward, I believe we can achieve the kind of peak performance we all seek.

Three: Invest in Evidence Building.

Distinguishing promising solutions from proven ones is essential to achieving the kind of performance that leads to greater social impact.

How will we get there? By investing in evidence building.

Because high-performing nonprofits are data-driven!

Effective nonprofits also use data for ongoing improvement.

Center for Employment Opportunities, CEO, is a great example.

Evaluation of CEO's programs found a striking reduction in prison recidivism—measurable success that enabled the program to expand.

But when data showed not enough of a difference in long-term employment, CEO made improvements to its job placement and retention programs.

Mindy Tarlow, the CEO of CEO, is in the audience today and she's planning another study to determine the impact of these improvements.

For nonprofits of any size, building an evidence base is a dynamic process that never ends.

Measurement can be challenging and expensive, especially for smaller nonprofits.

But funders can and must do more to support it so nonprofits can create robust data collection systems earlier in their lives and have greater impact.

Four: Scale What Works... with Innovation

Scaling what works takes proven solutions — and helps them operate on a broad enough base to serve more people and move the needle on the tough issues.

Scaling requires *rethinking* traditional patterns of funding.

It also requires rethinking traditional patterns of service delivery.

Because in an environment of shrinking public resources, scaling must go beyond mere replication.

Jeff Bradach — my close colleague at Bridgespan — and others have spoken extensively on ways nonprofits can achieve scale through franchising, partnering, cost sharing, and other ideas focused on gaining efficiency without sacrificing quality. All of these methods merit further exploration.

Because, given the severity and urgency of the problems we face — if we want transformative change — we have to *innovate how* we scale.

Finally... Number Five: Adopt an Investor Mindset

In order to scale the best ideas, we need to think differently.

What does having an investor mindset mean for you and me?

For funders, it means thinking long-term and about results.

Results-oriented investors invest against business plans for growth and quality.

They have a longer-term view. They're willing to take bigger risks, but also to make the capital investments necessary to garner results.

But even with the right capital and ideas, change takes time.

So, we have to give you the time and resources to fully execute your plan.

If we're going to make bigger bets, you have to put yourself in a position to be the organization someone bets on — prepared enough, and courageous enough — to absorb those bets.

What does this mean?

It means shedding the "charity" mindset, focusing on the larger context, and your place in it.

It means creating a performance management culture, asking for help to achieve performance *and* insisting upon it among your staff.

As the architect of the Edna McConnell Clark Foundation's approach to evidence, David Hunter, likes to say, performance management takes "performance leadership."

I applaud the movement toward performance-based incentives in our approach to social change.

The world is shifting — in large part due to the positive influence of so many people in this room.

Sure, market solutions to social problems will *probably always* spur debate.

But it's an inclusiveness of ideas, a willingness to adopt the best thinking from every sector, that will help us achieve peak performance.

The five steps I've outlined here require something from all of us.

We have to work better and smarter, together.

To move beyond piecemeal, philanthropy must be bolder and more imaginative.

Practitioners must be bolder, too.

As hard as it is, you must resist the temptation to accept the money with one arm tied behind your back; recognize your power in the relationship, your capacity for risk, your ultimate accountability.

Together, we must fight for investment in solutions that work.

We must support the growing number of government leaders — at the federal, state and local level — who understand that high performance creates greater social impact and who push for innovation policy and funding that rewards outcomes.

Ultimately, peak performance means a higher level of collaboration among us all.

Not just learning from our own work, but sharing what we learn with others.

That's what events like this are all about.

What I'm saying here today isn't entirely new. But it can be controversial.

Cynics might say big is bad, that small is where the grassroots of community action lives.

They'll contend that real change can't be measured.

They'll argue that — like the woman in Pound's poem — we're caught behind the wall. That our behaviors are too entrenched. That we can't change.

But I know we can.

Why? Because I've lived it.

When I came to the Edna McConnell Clark Foundation in 1994, I was a lot younger and much more idealistic and believed that — with the right ideas — we could help the most troubled kids beat the odds.

Back then, we focused on a couple of areas.

When Mike Bailin, my predecessor, took the courageous step to center us on a single strategic issue, we saw the potential we had to effect extraordinary change.

But even then, we were naïve.

We thought if we could find the right organizations and if we put our own money on the table, then other investors would, too.

But waiting for other funders to invest was a piecemeal way of working.

Something bolder was necessary.

So we took the path that further reinvented our grantmaking.

When I became CEO in 2005, I asked the board to hold me accountable for ensuring we brought other investors to the table.

It was quite radical for a private foundation with a big endowment — one that had never raised money.

In many ways, we became like our grantees.

Because we couldn't just rely on our own resources, we became fundraisers — accountable not just to our board, but to a whole group of investors.

Admittedly, it was a journey filled with anxiety.

I was worried we'd lose the transparency for which we were so highly regarded. That we'd lose our focus on *long-term* achievements because of distractions over *short-term* hurdles. That eventually, we'd come to sugarcoat the truth.

Oh, and then that thing called the *biggest recession since the Great Depression* happened.

And then I lost sleep, worrying we'd over-promise and under-deliver.

But we stayed the course, and it's paying off.

Despite our enormous gratification, we know our job is not done.

In fact, we have plans to push further!

I believe that in life, most things can be achieved in small, deliberate steps.

But sometimes, you have to break out of what's familiar.

Sometimes, you need the courage to change — the resolve, as Mario Marino has urged, to take a great leap.

One of the biggest realizations for us was that – the whole time we were leaping – we weren't alone.

Our investors, grantees, and the beneficiaries of our investments were all taking the risk right beside us.

And it was a risk worth taking because, in the end, it meant a better life for the most disadvantaged kids.

Yo Yo Ma, the great musician, describes this idea of shared risk quite well. He says:

“Sometimes, things can fall apart, or threaten to, for many reasons, and then there’s got to be a leap of faith. Ultimately, when you’re at the edge, you have to go forward or backward. If you go forward, you have to jump together.”

Ladies and gentlemen, we have to jump together.

Piecemeal isn't good enough.

We have to do better.

Achieving peak performance will require a new way of thinking and operating.

But I believe the metamorphosis has already begun, and that's why, at the end of the day, as much as my English professor might protest, I think Ezra Pound was wrong.

It was D.H. Lawrence who was right. He said,

“Piecemeal the body dies.

But that is what lies between the old self and the new.

***Hopeful...** like the flush of a rose... the whole thing starts...again.”*

Sometimes, we have to shed some old skin to get to a new place.

Piecemeal is past. It's time to reimagine what we can do together.

Let's get started.