

EXECUTIVE SUMMARY

GAINING PERSPECTIVE

Lessons Learned From One Foundation's Exploratory Decade

A Report Commissioned by the Northwest Area Foundation



January 10, 2011

Foreword

IF I WERE CHALLENGED TO LIST THE IMPERATIVES FACING FOUNDATIONS IN THE YEARS AHEAD, HERE'S WHERE I'D START:

- We must take smart risks.
- We must commit for the long haul to the issues at the core of our missions.
- We must engage grantees and communities in relationships of mutual respect.
- We must seek sustainable change for the better, not quick fixes.
- We must learn as we go, adapt as we learn, and share what we find.

The organization I lead, the Northwest Area Foundation, believes in those ideas and tries to live by them for the benefit of our grantees and to increase our effectiveness. Furthermore, as I consider our recent history in the period from 1998 to 2008, it's clear to me that my predecessors also believed in them, and tried to act on them in innovative ways.

Yet, as you'll discover in *Gaining Perspective: Lessons Learned From One Foundation's Exploratory Decade*, the Foundation's attempt to execute a strategy animated by these ideas fell short in some very important respects. Specifically, we failed to implement our ideas consistently and effectively. What seemed excellent in theory became very thorny in practice, and we struggled to adapt successfully in response to the lessons reality taught us.

This report by FSG Social Impact Advisors does not evaluate programmatic impact or measure outcomes in communities. Rather, it focuses on our own ideas, processes, and practices in order to lift up lessons that we hope will be of use to peer funders and others. It examines one foundation's experiment with taking bold risks, making large, long-term commitments, and partnering directly with communities – exciting ideas about which we have learned some humbling lessons.

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In the period from 1998 to 2008, the Northwest Area Foundation made a big bet on an innovative approach to reducing poverty. Before that time, the Foundation awarded relatively short-term grants in a variety of program areas. In 1998, the mission was sharpened to a single purpose: to help communities reduce poverty. At the heart of the new strategy was a set of place-based, long-term commitments that were conceived as partnerships with entire communities. These fundamental changes were motivated by a desire to target our resources for greater impact and by a belief that, in an era of shrinking government, communities had to do for themselves what public systems had failed to do for them.

Gaining Perspective tells a story of bold leadership, big-picture thinking, innovation, and risk. Taking smart risks is integral to effective philanthropy. Our freedom to test new approaches is one of our sector's most dynamic characteristics. But at the Northwest Area Foundation

during the decade in question, we embraced the upside of risk without thoroughly assessing and preparing for the downside.

By the “upside of risk,” I mean that philanthropy is uniquely positioned to venture into experiments that neither the private sector nor government has the temerity and flexibility to attempt. That spirit of experimentation – of adventure, even – lies at the heart of the social value we can provide. We must never walk away from that role. By the “downside of risk,” I mean simply that if we’re genuinely exploring new approaches, we’re going to fail – not always, of course, but fairly often. It comes with the territory, and it comes at a cost. I believe we found ourselves unprepared for that reality from 1998 to 2008.

Crucially, I do not mean to suggest that the problem lay in our decision to focus on impoverished communities. We know that people struggling to make ends meet have the ideas, energy, and creativity to make things better for themselves and their children. We know that pathways out of poverty exist, and that it is possible to open new doors of opportunity for all. The Northwest Area Foundation has witnessed these truths in urban neighborhoods of concentrated poverty, rural places with high poverty rates, and Native American reservation communities. Poverty itself is not what made our approach from 1998 to 2008 unwieldy. Rather, the core problem was that we took multiple major risks at the same time. As you’ll see in FSG’s report, we simultaneously

- Reframed our identity from grantmaker to equal partner with communities, growing to resemble an operating foundation in many ways.
- Made multimillion-dollar, multi-year commitments to an untested strategy.
- Placed many of our biggest bets on newly formed organizations, and expected them to begin delivering on poverty-reduction plans in the near term.
- Adopted what amounted to a go-it-alone approach to most of our work, choosing not to engage with the public sector or with other funders interested in fighting poverty.
- Changed our governance model such that the Foundation’s board of directors had little grasp of how our strategy was playing out on the ground.

Layered upon one another, these decisions placed unforeseen strains on our organization and on some of the communities in which we worked.

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Though this story is very much our own, the lessons FSG describes address issues relevant to most foundations. These include defining strategy, developing productive relationships with grantees, engaging capably with communities, creating a learning organization, and positioning board members to govern effectively. We readily acknowledge that these lessons are not groundbreaking or unique. However, in the course of conducting dozens of interviews with friends and critics, former and current board members and staff, and outside influencers, we and our colleagues at FSG have learned that these challenges remain persistent across the field.

The lessons we’ve learned in this process, as well as from face-to-face conversations and surveys of grantees, have helped us refocus our organization and redefine our role in the region we serve.

Since 2008, the Foundation has adopted a new strategic framework and approach with the following characteristics:

- We have returned to our roots as primarily a grantmaking institution, rather than designing and operating our own programs.
- Instead of initiating new community-based organizations, we make grants to existing proven and promising organizations working to reduce poverty and build sustainable prosperity within our region.
- We have embraced the need to listen well and conduct ourselves with humility, recognizing that the greatest wisdom about building prosperity resides within communities themselves and within the organizations we fund, not within the Foundation.
- We have recommitted ourselves to the idea that no funder can afford to go it alone, and we actively seek collaborative opportunities.
- We're striving to communicate more clearly and more regularly with our grantees and to articulate our mutual expectations more precisely.
- We now directly consider the question of risk in all our funding decisions – not in order to shy away from risks worth taking, but to assess this dimension thoroughly on the front end.

There is more to be done. Our Foundation continues to evolve based on what we've learned. Like all organizations, we remain a work in progress. But I believe we are headed in the right direction, thanks in no small part to the creativity that our predecessors brought to the Northwest Area Foundation. We are grateful for the lessons their efforts have generated.

Sharing lessons learned – not just trumpeting success stories, but also examining missteps and false starts – has yet to become one of organized philanthropy's core strengths. But this may be changing. Funders including the William and Flora Hewlett, James Irvine, and Annie E. Casey foundations not only brought their lessons to light in groundbreaking reports in recent years, but each has encouraged foundations and nonprofits to examine and discuss what they've learned. We continue to benefit from their example. I hope this report, too, will spark important conversations and generate ideas for improvement. Given the difficulties facing our society in this decade, philanthropy is duty-bound to evolve toward ever-greater effectiveness. My hope is that by lifting up the lessons of a prior decade's work at the Northwest Area Foundation, *Gaining Perspective* will contribute to that evolution.



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President and Chief Executive Officer
Northwest Area Foundation

The mission of the Northwest Area Foundation is to support efforts by the people, organizations, and communities of its eight-state region to reduce poverty and achieve sustainable prosperity. To learn more, please visit the Foundation online at www.nwaf.org.

Minnesota · Iowa · North Dakota · South Dakota · Montana · Idaho · Washington · Oregon

Introduction

IN 1996, THE BOARD OF THE NORTHWEST AREA FOUNDATION (NWAf, THE FOUNDATION) BEGAN to question the level of impact its grantmaking was having within its eight-state region.¹ The Foundation, led by its board of directors and then-President and CEO Karl Stauber, engaged in strategic planning that ultimately led to a bold new approach announced in 1998:

To invest \$200 million directly in communities over the next 10 years – \$150 million in long-term partnerships in up to 16 communities within the Foundation’s eight-state region; \$25 million in shorter-term efforts to help communities make connections and build internal knowledge; and \$25 million to help rural areas build local leadership.²

Over the course of the next 10 years, NWAf eagerly pursued these objectives and learned many lessons that are summarized in this report. This is a reflection informed by internal and external perspectives, and is not intended to be an evaluation of the impact or outcomes of the work that was conducted during this period. It is important to note that much of the Foundation’s work that was begun during this period is not yet complete – several of the partnerships established during this period continue today, and the Foundation’s efforts to learn from its activities are ongoing.

In developing its understanding of the events that took place and lessons learned as a result, NWAf engaged FSG Social Impact Advisors to read internal and external documents generated during this period, speak with various stakeholders (including current and former staff and board members, funding recipients, and external stakeholders), and synthesize findings into the report that follows.

For more detail, including a timeline of the Foundation’s activities during this period and a case study of NWAf’s work with a set of specific grantees, please refer to the complete report.

1. Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington, Oregon

2. Stauber, Karl. “Changing Means, Clarifying Paths: Philanthropy in an Era of Limited Government.” *Responsive Philanthropy* Spring 2002.

The Foundation's 1998–2008 Strategy: A Bold New Approach

IN THE MID-1990S, THE BOARD OF THE NORTHWEST AREA FOUNDATION BEGAN TO QUESTION the impact of its grantmaking on the communities within its eight-state region. The Foundation revisited its strategy and embarked on a journey guided by a new set of objectives. The initial mandate put forth in 1998 was somewhat broad, in pursuit of the following mission statement:

The Foundation is seeking to help communities most in need create positive futures – economically, ecologically and socially.³

A BOLD NEW APPROACH. In working toward this goal, the Foundation developed an approach that was intended to break with traditional foundation grantmaking and to increase its ability to reduce poverty in its eight-state region. This approach was grounded in several bold ideas about how philanthropy could be more effective.

NWAF'S BOLD IDEAS CIRCA 1998

MAKING A BIG BET: To no longer think of philanthropy in short-term, annual-budget terms; rather, to ask what can be accomplished with a significant, long-term investment (\$200 million over 10 years).

SHIFTING FROM “FUNDER” TO “EQUAL PARTNER”: To no longer view the core business of the Foundation as making grants; rather, to form authentic partnerships and work with partners as peers.

WORKING DIRECTLY WITH COMMUNITIES: To no longer work within the traditional paradigm in which foundations fund nonprofits to test new approaches and then hand off implementation of successes to the government for replication; rather, to work directly with communities to identify and implement locally appropriate solutions.

LEARNING AS YOU GO: To not wait to start working; rather, to “learn as we go” and make course corrections as needed based on key findings.

ADJUSTING APPROACH TO GOVERNANCE: Rather than have the board engage in specific funding decisions, to have the board approve a broad funding strategy and then focus strictly on oversight, delegating all specific grant/partnership decisions to Foundation staff.

3. Northwest Area Foundation 1998 Strategic Plan.

Taking Stock: A Reflection on NWF's Lessons Learned

AS ONE OF THE NORTHWEST AREA FOUNDATION'S FUNDING RECIPIENTS NOTED IN summarizing the learnings from the Foundation's work between 1998 and 2008, "the devil is often in the details." The Foundation pursued its new strategy with gusto, but failed to recognize the flaws in its theory and to exhibit a strong sense of practicality in translating its theory into action. NWF is sharing its understanding of lessons learned during this period in the hope that shining a light on its history may help other funders to be more effective in their work.

Reflecting back on NWF's "Bold Ideas," the primary lessons can be categorized as follows:

THEME	LESSONS
MAKING A BIG BET	<ul style="list-style-type: none">▪ Be clear about strategy before you implement.▪ Take risks, but manage them carefully.
SHIFTING FROM "FUNDER" TO "EQUAL PARTNER"	<ul style="list-style-type: none">▪ Communicate your objectives clearly.▪ Don't make it about the money.▪ Set expectations together with your partners.
WORKING DIRECTLY WITH COMMUNITIES	<ul style="list-style-type: none">▪ Understand the context of the communities in which you work.▪ Engage in community change with a long-term view.▪ Plan carefully to put the right resources in the right places.
LEARNING AS YOU GO	<ul style="list-style-type: none">▪ Identify indicators of progress upfront.▪ Put learning into practice.▪ Celebrate successes and learn from failure.
ADJUSTING APPROACH TO GOVERNANCE	<ul style="list-style-type: none">▪ Keep board members in touch with implementation.▪ Encourage board members to use their voice.▪ Ensure board members are effectively informed.

In the following pages, we provide an overview of the lessons the Northwest Area Foundation took away from its experiences.

MAKING A BIG BET

The Foundation enthusiastically pursued its new mission, but faced significant problems in clearly defining its strategy and managing the level of risk it was taking on.

Be clear about strategy before you implement

“There was largely agreement about the what, but there was philosophical disagreement about the how that was problematic for the whole 10 years.”

– Former staff member

Understanding where you are going, and why, is critical to ensuring that all feet are marching in the right direction. Although it can be difficult to narrow focus, documenting the logic behind what a foundation is trying to accomplish can go a long way toward assisting staff and grantees with understanding and moving toward a common goal. While overly defining a strategy can also be challenging (staff need autonomy within which to refine approaches and customize solutions for varying grantee needs), a lack of strategic clarity can thwart plans before they have a chance to get off the ground.

Take risks, but manage them carefully

“The Foundation tied up a really significant chunk of organizational resources for years into the future on an untested strategy.”

– Current staff member

Assessing risk is as important for philanthropic organizations as it is for venture capitalists. Foundations should seek not to minimize risk, but rather to manage it responsibly and balance it across the programming portfolio. A board member shared this lesson eloquently: “The significant lesson is not to avoid risk altogether, but to assess its magnitude as carefully as possible at the outset, and to limit appropriately the share of the program portfolio devoted to high-risk initiatives.”

SHIFTING FROM “FUNDER” TO “EQUAL PARTNER”

As the Foundation set out to transform poverty in its region, it looked to redefine its relationship with grantees from that of a provider to an equal partner. In the process, NWAf encountered challenges in being clear about its objectives, setting mutual expectations with partner communities, and addressing the power balance between itself and its partners.

Communicate your objectives clearly

“The message changed from the Foundation from almost meeting to meeting. At the end, when we didn’t get funded [for the full Ventures partnership], I wasn’t surprised – we felt like we were being set up to fail.”

– Funding recipient

NWAF found that being clear about the Foundation's goals and objectives is an important requirement for success. Where NWAF's expectations were clearly and realistically defined, community partners were able to engage and meet these expectations. However, in situations where expectations were unclear or shifted frequently, relationships with funding recipients suffered.

Don't make it about the money

"When you announce that you are going to invest a lot of money in a community ... it becomes less about what the community thinks is needed and more about keeping the funds and making the funder happy. There is so much focus on getting the money."

– Former staff member

The nature of a funder-recipient relationship makes equal partnership challenging, if not impossible, to achieve; it is important to be realistic about the role each party can play. Recognizing and acknowledging the inherent power imbalance, building a relationship first before setting funding expectations, and providing support beyond grantmaking dollars can all contribute to a more authentic form of partnership.

Set expectations together with your partners

"Foundations tend to perform better when they partner more with nonprofits and community organizations and allow them to participate in identifying needs and solutions to community problems. This work felt too driven by the Foundation."

– External interviewee

Two-way communication with partner organizations about shared expectations shows colleagues that their input is valued and reinforces the notion that the partnership is authentic. By not demonstrating that the Foundation was actively listening to partners' perspectives, NWAF strained relationships and was perceived as being more directive than the original strategic approach had intended.

WORKING DIRECTLY WITH COMMUNITIES

Engaging productively with communities is often a challenge and remains a topic of significant interest, especially for place-based funders. The Northwest Area Foundation learned several lessons about working directly with partners in the partners' own communities, and hopes that other foundations can learn from the stories shared below.

Understand the context of the communities in which you work

"You can't fly in and fly out of a community and profess to be part of the community. You have to invest in organizations that are on the ground and know what they are doing, ones that have established relationships with the communities."

– Former staff member

Foundations should be realistic about the conditions that must be in place prior to engaging with a community in order to achieve success. A lack of attention to community context can have serious repercussions for both grantees and foundations. Developing programs sensitive to community context involves four elements: ensuring communities are self-defined; understanding cultural norms; working with embedded organizations that have significant community knowledge and influence; and assessing the community's readiness for change.

These elements are all necessary conditions for meaningful, successful, and sustainable community engagement and change. This was borne out in NWF's experience with Horizons communities. Through this work, the Foundation learned to focus on small, self-defined units (small rural communities); community experience was leveraged through the use of local university extension organizations; and communities opted into the program, which required a degree of assessing themselves as ready to engage.

Engage in community change with a long-term view

"Something as complex and large as reducing poverty takes a lot of time."

– Funding recipient

It is important to consider longer time frames when working toward community change, as it takes time to develop trust. Problems with higher complexity and unclear solutions require longer time horizons before results should be expected.

Plan carefully to put the right resources in the right places

"We had people with strong community organizing insights, but after getting in [to these communities], having organizers was a detriment. They were trying to organize, but you can't do that from 500 miles away."

– Former staff member

A high-touch approach to community engagement will stumble without a thoughtful and intentional approach. Through its experiences, the Northwest Area Foundation found that failing to match staff skills against program needs created significant challenges, while engaging stakeholders who might not otherwise raise their voices proved to be valuable. NWF also found that working from a distance without an embedded local partner made it difficult in many cases to build trust.

LEARNING AS YOU GO

A significant notion underlying NWF's new approach in 1998 was that the Foundation would implement its strategy while intentionally directing resources and attention toward learning and refining plans along the way. Despite the allocation of resources, however, the Foundation experienced significant challenges with developing an effective "learning organization"; key lessons are summarized below.

Identify indicators of progress upfront

“We didn’t build in effective evaluation from the very beginning. Board turnover and media inquiries raised questions about what the programs were accomplishing – we didn’t know how to express whether we were on track.”

– Funding recipient

It is important to build evaluation into programs from the beginning to ensure clarity regarding the program’s objectives and to be sure that energy expended on tracking and measurement is credible, relevant and useful. Understanding what decisions are being made, by whom, and what information is needed can go a long way in determining a program’s evaluation needs.

Put learning into practice

“Reports were not read and discussed / digested / absorbed. They basically sat on a shelf or in the computer and after a while you couldn’t find them. The lessons were not heeded.”

– Former staff member

The Northwest Area Foundation has learned that evaluation and learning requires a complex and integrated system of supports – including clear and accessible processes, technology and people – in order to identify learnings and share them across programs for maximum impact. These supports must also be matched by opportunities for listening to external stakeholders and incorporating learnings from others.

Celebrate successes and learn from failure

“We need to give ourselves permission to make changes along the way, and to not be afraid to do so. We are going to make mistakes, and should be able to recognize this. Ultimately that’s how you learn the most.”

– Current staff member

In this case, the Foundation learned that fostering a culture of learning does matter, particularly when encouraging staff to feel comfortable identifying missteps and converting those experiences into learning opportunities. Although developing a “culture” of learning can be challenging for many organizations, the Foundation’s experience with its Horizons program demonstrated that under the right circumstances, staff can effectively identify and apply lessons learned.

ADJUSTING APPROACH TO GOVERNANCE

A strong governance model is an important component to any foundation’s success. In 2000, the Northwest Area Foundation shifted its governance structure toward a policy orientation based on the Carver model of governance. This shift, in addition to other factors related to board governance, created challenges for all stakeholders, including staff and grantees.

Keep board members in touch with implementation

“It is relatively easy to talk about a board as a strategic engine for a foundation. It is very hard for it to be relegated to being exclusively strategic. The more we were told by consultants that policy governance meant we should avoid being tactical, the more we felt we were behind a curtain we couldn’t peek out from behind. It created a dissonance that was productive at best, and destructive at worst.”

– Board member

All governing bodies must balance accountability and autonomy. While setting strategic direction is an important role for any board, maintaining enough oversight to stay connected to implementation and progress toward goals is also critical. For example, several interviewees suggested that reviewing the strategy on a regular basis could have ensured that board members had dedicated space to consider how well strategic decisions were doing against intended goals.

Encourage board members to use their voice

“In the way [NWF] was using the Carver method, the board could not find an appropriate way to examine and formulate, let alone do anything about, its growing concerns with Ventures.”

– Board member

Board members play a unique and necessary role in guiding a foundation toward its objectives. While it is important to allow for autonomy that enables board members and staff to best leverage their expertise and resources, board members must have a forum for open and explicit conversation, and feel comfortable voicing concerns.

Ensure board members are effectively informed

“There was a lot of written material – the reports never cut it, and no matter what, we couldn’t satisfy the board.”

– Former staff member

In situations where oversight is critical (when implementing a new strategy, for example), it is important to give board members the information that they need in order to appropriately determine whether the intended goals are being met. While it can be challenging to explicitly articulate what information is needed, it is a necessary step toward ensuring that staff can support board members in most effectively meeting their responsibilities for oversight and governance.

From 2008 to the Present: How the Foundation Has Evolved

THE NORTHWEST AREA FOUNDATION HAS LEARNED SIGNIFICANT LESSONS FROM THIS PERIOD in its history and is building from its accomplishments as it continues its journey to learn from missteps that were made. The Foundation is committed to acting on these lessons in the following ways:

Increasing Strategic Clarity

In 2008, the Foundation announced a revised strategic plan with the following mission statement:

The mission of the Northwest Area Foundation is to support efforts by the people, organizations and communities of our eight-state region to reduce poverty and achieve sustainable prosperity.

NWAF is currently making shorter-term grants, due both to the legacy of long-term commitments that continue to tie up funds and to its desire to test ideas and work with promising organizations that may create significant impact. The Foundation has also taken steps to assess risk for individual grants as part of the approval process, and is looking at ways to balance risk across the portfolio.

Drawing on the Wisdom of Others

The Foundation is committed to being more explicit with grantees about roles and responsibilities; the Foundation's revised theory of change makes explicit its approach of drawing "on the wisdom and experience of others," a move away from being directive and toward authentically partnering with others who have cultural/geographical context and experience.

Working With Proven and Promising Organizations

The Foundation is now shifting from working with communities and building new organizations to engaging with proven and promising change agents, including organizations, public officials, communities and other foundations that are committed to addressing systemic causes of poverty.

Turning Learning Into Actionable Knowledge

NWAF has taken several steps toward making learning an embedded part of its daily work. The Foundation recently hired an evaluation and analysis program officer to oversee learning and evaluation activities, and created an evaluation and learning team to identify and implement opportunities for Foundation-wide learning.

Balancing Board and Staff Roles

The Foundation has formally shifted away from the Carver governance model and back to a more traditional board structure, with a program committee providing guidance to staff. There also has been a change from guarded to open communication between board and staff members, with management actively encouraging and facilitating board-staff interaction.

Conclusion

THE NORTHWEST AREA FOUNDATION ACKNOWLEDGES THAT IT IS STILL VERY MUCH ON A journey toward increasing its effectiveness in reducing poverty within its region. A bold vision for change is not enough; it is critical for foundations to translate that vision into a clear and actionable strategy, work effectively with grantee partners and communities, and learn and course correct. While the lessons contained in this report are not necessarily unique or groundbreaking, the Northwest Area Foundation hopes that these stories from its past will encourage others to reflect on their own experiences, and to incorporate these lessons into their own work. The Foundation looks forward to continued learning in its ongoing efforts to reduce poverty and build sustainable prosperity in its communities.

