The Edna McConnell Clark Foundation

AN ESSAY
BY NANCY ROOB

SEPTEMBER 2013

Reflecting on Our Grantees' Experience—and EMCF's

Bill Ryan and Barbara Taylor's report, *The Edna McConnell Clark Foundation's Youth Development Fund: Results and Lessons from the First Ten Years,* on what our grantees have accomplished during the past decade-plus gives hope that if we really put our minds and our resources to it, we can help save a generation of young people our nation is neglecting. That hope is accompanied by the sobering recognition that in 12 years life has not improved for the vast majority of the most vulnerable youth in America. Instead, more and more of them are falling into (or unable to escape from) poverty, lagging behind or dropping out of school, failing to land a good job, or getting into trouble.

The report offers an opportunity to reflect on some of the experiences of the Foundation, where I have now spent nearly 20 years, and some of my challenges as its president since 2005. I hope these reflections will be helpful to others who are championing the cause of our nation's vulnerable youth. The Foundation's achievements owe largely to the same things that have driven our grantees' achievements. At the risk of oversimplification, and though I'm sure I'm leaving out some important factors, let's call these drivers leadership and culture, accountability and evidence, and making big bets.

LEADERSHIP AND CULTURE-BUILDING

The nonprofits in which we have invested most successfully, and which have expanded to reach significantly more young people, have leadership with a track record of achieving growth in the past, and the determination, vision and skills to extend that record into the future. Their leaders have also built organizational cultures capable of self-reflection and continuous improvement and transformation. **Youth Villages** is a great example.

We discovered Youth Villages in 2003 as we scoured the country for evidence-based programs that reach those young people who are hardest to serve, including the kids who shuttle in and out of the foster care and the juvenile justice systems. No one at the Foundation, even those of us who had spent years in the youth development field, had heard of Youth Villages, which works in a family setting with adolescents who would otherwise be placed in a residential facility. At one third of the cost of conventional programs, it achieves a long-term success rate that is twice the national average. The young people Youth Villages helps are less likely to drop out of school or get into trouble with the law. Staff, led by Portfolio Manager Woody McCutchen, visited Youth Villages' headquarters in Memphis for several days. They observed the program, talked to staff, the leadership and the board, and came back feeling they had found one of the best-kept secrets in America. And they were right. Youth Villages is an exceptional organization that has the potential to transform the way our nation treats troubled youth.

Youth Villages did not have a growth plan, so we partnered, as EMCF frequently does, with the Bridgespan Group, which specializes in assisting nonprofits with business and strategic planning and building capacity, and helped Youth Villages develop one. That was nine years ago, and since then we have invested in—and helped Youth Villages recruit other funders to invest in—two subsequent business plans that have driven extraordinary growth. From 2007 to 2012 it nearly doubled the number of youth it serves, from 11,000 to more than 20,000, and expanded from six to 11 states, maintaining the quality of its programs all the while. Youth Villages was on a remarkable path to begin with. EMCF helped accelerate its pace because we had confidence in the people who were guiding the organization on that path, and we understood that many more young people could benefit from its services. "If the population of troubled kids was a 14,000-foot mountain," Youth Villages CEO Patrick Lawler once said in an interview, "we were probably at a hundred feet and looking to go to 200 or 300. The Edna McConnell Clark Foundation was looking to take us to 14,000 feet."

EMCF helped accelerate its pace because we had confidence in the people who were guiding the organization on that path, and we understood that many more young people could benefit from its services.

Patrick has assembled an impressive leadership team and over the years has continued to expand its capabilities. Together they have created a culture that believes every child can and should succeed. They are deeply committed to data analysis, and they are willing to make tough decisions when they are in the best interest of kids. At the outset of Patrick's tenure, for example, Youth Villages was a residential program. The youth it sought to help frequently fell into trouble once again when they returned to their families. Patrick charged a young graduate student, Lee Rone (now Youth Villages' COO), to conduct research and find a better way, and, based on Lee's findings, he turned the organization upside-down in order to treat kids in their homes. When merging with other service providers in Georgia, Oregon and, most recently, Massachusetts, Youth Villages has paid as much attention to preserving and extending its culture and core values as it has to expanding its services.

Building a leadership team and an organizational culture is essential for any high-performing enterprise, and EMCF is no different. Recruiting and retaining professionals who are dynamic and visionary and have led other organizations in the past or might easily lead them in the future has been a challenge. Building a team and a culture has required surrendering some of my own authority and ego, and trusting the talents of my colleagues. We flattened the structure of the Foundation, making it less of a hierarchy and more of a partnership. Working with our board, we set annual milestones for the Foundation, mirroring the annual and end-of-investment milestones we expect our grantees to meet, and instituted a scoring system that pegs people's pay not only to their own performance but to that of the entire Foundation and its grantees, so that everyone has a stake in and shares both the worry and the success of the whole enterprise. We invested in and continue to rely on intensive coaching and training in organizational and human development to help not only our senior leadership but our entire staff make this cultural shift and become an effective, resilient team that selflessly serves our grantees and, through their programs, America's disadvantaged youth.

ACCOUNTABILITY AND EVIDENCE

Accountability for performance and evidence of effectiveness are essential if a nonprofit is to make an impact. Why fund a program unless you have reason to believe it works? Yet 71 percent of nonprofits recently surveyed by the Center for Effective Philanthropy reported that their funders tended to provide no support for program assessment or evaluation.

Evidence building is not only underfunded, it is misunderstood. Evidence is a means, not an end. Indeed, we have learned over the years that building an evidence base is a dynamic process that never ends. An organization cannot afford to prove a program's effectiveness and then rest on its laurels. Continual evaluation is the key to ongoing improvement and innovation, to achieving better outcomes on a bigger scale.

When a randomized controlled trial found that **Center for Employment Opportunities (CEO)** reduced recidivism among people recently released from prison by 16 to 22 percent, our grantee and we were understandably pleased. MDRC, a developer and evaluator of social programs with whom we often collaborate, conducted the three-year study and said such reductions "are difficult to achieve and have rarely been seen in rigorous evaluations such as this one." This impressive evidence and continuing support from EMCF were instrumental in enabling CEO to expand beyond its base in New York City and State to new sites in Oklahoma and California.

But the study did not find that CEO's program made a discernible difference in participants' long-term employment, compared to a control group of recently incarcerated people who did not enter the program. In other words, CEO had demonstrated its success in helping people stay out of prison, but not necessarily in helping them land and hold on to permanent jobs. This finding (or lack of one) prompted CEO to beef up the job placement and retention component of its program, and now it is planning another randomized controlled trial to determine whether these improvements are making an impact on employment.

It's still a work in progress, but at EMCF we try to hold ourselves accountable for our performance as we hold our grantees accountable for theirs. This has not been easy because foundations are not as accountable to funders as nonprofits are, to stockholders as corporations are, or to voters as politicians are. It's hard for a foundation to get honest, critical feedback from grantees, who tend to say what they believe a funder wants to hear in hopes of preserving their funding. And it's hard for me, as a foundation head, to get such feedback because no one wants to deliver bad news to the boss. You have to create accountability systems, grounded in a set of shared beliefs and a shared vision for the work, and ensure that the entire organization buys into them.

You have to create accountability systems, grounded in a set of shared beliefs and a shared vision for the work, and ensure that the entire organization buys into them.

At EMCF, we also hold ourselves accountable to each other. All staff, including myself, undergo regular 360-degree performance reviews. Although these are stressful, the feedback they provide forces us to reflect on and improve the way we work. Since launching the Growth Capital Aggregation Pilot in 2007, we have also held ourselves accountable to our co-investors, reporting to them quarterly as we do to our board. We have engaged Ryan and Taylor since 2003 to conduct and analyze candid interviews with grantees and, subsequently, with co-investors. The numerous reports they have produced for us have led to many adjustments and improvements in our practices, from making significant personnel changes to entirely revamping the additional, extra-financial supports and technical assistance we offer grantees. When differences of opinion over evaluation strained relations with some grantees, for instance, we formed an Evaluation Advisory Committee of distinguished independent experts in the field to provide other perspectives and ensure we were not insisting too heavily on our own point of view. This committee plays an integral, but still entirely independent role, in our operations.

Ryan and Taylor's new report continues our ongoing self-assessment, and now we are exploring ways to evaluate our performance more rigorously. Collecting, analyzing and using data on a regular basis provides information and insights that fuel organizational learning and continuous improvement. Whatever we learn we will share on our website and elsewhere, and we will continue to report annually on our own performance as well as that of our grantees, holding ourselves publicly accountable.

MAKING BIG BETS

One of the hardest lessons my colleagues and I have learned over the years is that it takes more capital and more time than many funders realize and we ever imagined for even the most promising nonprofit to build its evidence base and organizational capacity, and reach a scale on which it can make a serious dent in our nation's many social problems. **Nurse-Family Partnership** is a case in point. This home-visitation program for low-income, first-time mothers has undergone three randomized controlled trials over several decades and shown extraordinary results: greater economic independence and deferred second pregnancies for the moms, and healthier children who are better prepared for school. In 2012, a study funded by the Pew Center on the States calculated that the program produced an average of $90,399 in benefits to society for every family it served, for a cost-benefit ratio of 1 to 10.5. I firmly believe in Nurse-Family Partnership's potential to break the generational cycle of poverty.

We started working 11 years ago with Nurse-Family Partnership's founder, Dr. David Olds, and the University of Colorado, where the program was based, and we helped create a national service office responsible for disseminating the program throughout the country. In all, EMCF has invested more than $20 million in several successive business plans and, applying our capital aggregation approach, we helped raise another $38 million from six co-investors to support Nurse-Family Partnership's growth. This $58 million has enabled Nurse-Family Partnership to double in a decade the number of young mothers it serves. By 2017, Nurse-Family Partnership plans to expand to reach 60,000 mothers and their children. While this is extremely impressive, it's still a mere 7 percent of the estimated 845,000 families in this country who become eligible for and could benefit from such services annually. Nurse-Family Partnership has only begun to realize its potential, which is why, as big a bet as we have made on it, we have to raise the ante and find better ways to fully capitalize evidence-based programs with genuine potential for scale.

Collecting, analyzing and using data on a regular basis provides information and insights that fuel organizational learning and continuous improvement.

Despite the success we have had in aggregating capital—nearly $280 million to date from philanthropic co-investors and the federal government, personally I have found fundraising hard, sometimes humiliating, and the ongoing experience of rejection humbling. On one occasion, a foundation head promised $2 million only to email apologetically two weeks later, after we had informed the grantee beneficiary, that they had changed their mind. And, for every investor that has partnered with us, many more have said "no." As most of you know, this is considered par for the course. But however trying fundraising is for me, I remind myself how infinitely more frustrating it is for our grantees and other nonprofits whose weekly payroll and services to thousands of disadvantaged youth depend on it. I believe there can and should be a better way, and the positive, productive experience of the grantees that have benefited from our capital aggregation work to date shows what a difference it can make when funders adopt a more concerted, transformative, and long-term approach.

EMCF as an organization, and I as its leader, have learned a lot over the past 12 years. I am proud of what our grantees and we have accomplished, although it is not nearly as much we need to accomplish in order to make the greatest difference in the lives of the greatest numbers of neglected youth.

We know there are programs that work and offer solutions to major social problems.

We know, as Ryan and Taylor document, how to discover such programs, how to invest in strengthening them, and how to help them expand.

We are heartened that over 45 co-investing partners in growth capital aggregation have seen promise in EMCF's approach, and we are hopeful that other funders will embrace and improve this approach. By collaborating in philanthropy on a higher order of magnitude, it is possible and in our power to expand proven programs to a scale on which they can actually solve national problems.

I look forward to exploring in subsequent essays how this philanthropy of a higher magnitude might be achieved, and what it could accomplish.