



FOCUSING FOR IMPACT: ONE FOUNDATION'S TRANSFORMATION



MICHAEL BAILIN, PRESIDENT, THE EDNA MCCONNELL CLARK FOUNDATION

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—Michael Bailin

When a foundation chooses to become more effective and more accountable, the transformation process will likely touch upon virtually every aspect of the organization's culture and way of doing business. In his keynote address, Michael Bailin, President of the Edna McConnell Clark Foundation, drew on his foundation's experiences as he described the challenges foundations face on the path to greater effectiveness and accountability. "Developing a focused strategy entails making very hard choices," said Bailin. These choices happen on many levels, including the four themes of the seminar: strategy selection, funder-grantee relationships, performance assessment, and foundation governance.

Complicating matters, said Bailin, is the fact that only a handful of foundations have embarked upon systematic improvements in accountability and effectiveness. Hence the well of shared experience and lessons learned is very shallow, and signs of success

remain tentative. Moreover, "individual institutions concerned about effectiveness and accountability have been feeling their way forward more or less in isolation from one another," and outcomes, from a sector-wide perspective, seem fragmented and unorganized. "Understandably," Bailin added, "each separate institution has focused on areas that suit its particular analysis of the social policy environment, its experiences and history, its organizational culture, and the personal interest of its leaders."

Despite these cautions, Bailin provided seminar participants with a wealth of practical guidance about focusing a foundation's strategy and actions for greater effectiveness and accountability. He described how the Edna McConnell Clark Foundation reshaped its strategy, redesigned its grantmaking operations, and implemented an evaluation process over the past several years. Bailin noted that when he was hired by the foundation in 1996, his job was to bring its grantmaking approach into "a better fit with the realities of social and fiscal policy" — a challenge familiar to many foundation executives. Under the then existing model, "foundations designed and tested programs that, if successful, would be picked up by the public sector for wider implementation." As federal spending on social welfare has subsided, Bailin argued, this approach has grown less and less realistic.

The Edna McConnell Clark Foundation traditionally supported large-scale public systems reforms in four areas: child welfare, middle-school education, criminal justice, and neighborhood development. The foundation's trustees were increasingly doubtful that the foundation's resources could effect meaningful and lasting change at the systems level in any of these areas. They also feared that their funding dollars were being too thinly spread over too many areas. To address these concerns, Bailin guided the foundation's new grantmaking strategy toward three objectives:

- 1) concentrating and focusing funding resources;
- 2) ensuring the foundation's new approach would be

evaluated rigorously and adjusted when needed; and 3) building the strength and sustainability of highperforming nonprofit organizations.

Narrowing the focus of its funding presented the biggest challenge to the foundation. Doing so meant shifting from the foundation's long-standing work in several separate program areas to just one: youth development. But, says Bailin, "starting a new program meant ending the old ones" – programs that, for the most part, were "worthwhile, even inspiring." To maintain its credibility and retain the trust of the grantee community – especially new ones the foundation hoped to work with – it had to complete its commitments to existing grantees, and where possible and results merited it, continue the best of the old programs in some other venue. "For a time," said Bailin, "we were operating what amounted to two foundations, managing down or finding new funding sources for our old programs, while at the same time building the new one." The cost, in time and dollars, was considerable. The lesson, according to Bailin, was that "developing and implementing a good strategy for new work requires a good strategy for exiting from the previous work."

In describing the key choices the Edna McConnell Clark Foundation made to implement its new strategy, Bailin underscored the significance of what the foundation chose not to do. "Recognizing the things one won't do," said Bailin, "and sticking to this commitment in spite of their tremendous appeal, has even more influence on a foundation's ability to achieve focus than does the choice of what one will do." For example, because the foundation is focused on building capacity in youthserving programs that are already performing well, it must resist the temptation to fund start-ups, however appealing, creative, or innovative their approaches to youth development.

The Edna McConnell Clark Foundation also found that as it shifted from reforming systems to building organizations, its approach to funder-grantee relationships underwent major changes. These changes helped address some of the power imbalance that

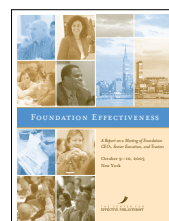
traditionally exists between funders and grantees. For example, as a former executive of a nonprofit organization, Bailin knows well how grant seekers often feel compelled to tilt their proposals toward the perceived wishes of the funder. Similarly, because funders are reluctant to pay for the true cost of overhead, funding often falls short of the real cost of the work covered in the grant. That reluctance results in grantees understating what they really need to do to build, strengthen, and expand their organizations so they can reach more people. "This is tragic," says Bailin, "since it means that the nonprofit sector – the very sector we rely on to mitigate our most intractable problems – is being weakened and having its potential for effectiveness undercut systematically by those who mean to strengthen and support it."

Even though the relationship between funders and grantees can never be truly equal or level, since foundations have money and grantees need it, Bailin maintains that many things can be done to lessen the harmful side-effects of that imbalance. That includes a recognition among funders that their success depends greatly on the success of their grantees. That is one reason why the Edna McConnell Clark Foundation believes it is more important to help grantees excel at their work than to seek out organizations that will implement ideas developed inside the foundation. It is also essential, said Bailin, that funders and grantees agree on milestones and that the organization's progress be measured against them.

In Bailin's view, a focused strategy, more tangible results, and better measures of performance are all tied together. "A focused strategy," he said, "raises the odds of higher-quality implementation of whatever you are doing, increases the chances of gaining a better result or worthwhile social yield, and improves the chances of measuring and evaluating what you've accomplished."

Michael Bailin is President of the Edna McConnell Clark Foundation.

The full text of Bailin's remarks at the seminar is available online at www.effectivephilanthropy.org.



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