



RADICAL CHANGE: TWO FOUNDATIONS' STORIES

Large-scale transformation is difficult for most organizations, especially foundations, which rarely face any sort of burning platform for change. But even without the external pressures most organizations encounter, more foundations are pushing themselves to achieve the most impact possible with their charitable dollars by exploring new models or redefining and clarifying priorities.

Two examples of extreme foundation change occurred at The Atlantic Philanthropies and Silicon Valley Community Foundation. Atlantic Philanthropies has chosen to spend itself out of existence by 2020 in an attempt to achieve superior social returns. Silicon Valley Community Foundation, on the other hand, created a brand new entity through the merger of the Peninsula Community Foundation (PCF) and the Community Foundation of Silicon Valley (CFSV). With help from session moderator Barbara Kibbe, a senior consultant at Monitor Institute, Atlantic's John R. Healy and Silicon Valley Community Foundation's Gregory M. Avis shared two very different stories of transformation.

SPENDING DOWN THE ENDOWMENT

"Deciding that your life is limited to less than two decades really concentrates the mind," Healy noted. "It instills in the organization and everyone who works there a tremendous sense of urgency." For Atlantic, the year 2001 marked the beginning of a new era. Not only did John Healy become the Foundation's chief executive officer and president, it was also when Atlantic's board agreed that significant changes were required. "Atlantic was making good grants, but they were not adding up in the aggregate as they should have," Healy recalled. In addition, Atlantic was about to lose its anonymity – thus exposing itself to greater scrutiny. Those factors, when combined with the donor's belief in giving while living, sharply highlighted the need for clearer focus.

The Board's agreement in 2002 to spend down the Foundation's assets by 2020 was not only based on the



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— John R. Healy*

donor's wishes, said Healy, but also on the trustees' belief that this approach works to create better social returns.

With a vision to seek measurable lasting impact and a conviction that "foundations should have a point of view, and their grantmaking should reflect that," Healy mapped out a strategy that went deep rather than broad. That meant reducing the number of program fields from fourteen to four. "Our goal was to make bigger bets on fewer grantees," Healy said. "We re-organized staff around our vision and programs and moved from being an organization whose structure had a prime logic of geography to one with a prime logic of program. Spread as we were across seven or eight countries and four continents, that was a big shift."

With a new CEO having taken the helm in April 2007, Atlantic will continue to execute and refine its program strategies while implementing more data collection and leveraging what it has learned throughout its lifetime. "There are organizations on the West Coast who do things that are unknown to their cohorts on the East Coast. Compiling hard data and disseminating results is an important way for a foundation to leave a legacy,"

Healy noted. To that end, Atlantic has created strategic evaluation and learning units to help measure the Foundation's impact and distill and share best practices.

MERGING TWO SEPARATE ENTITIES INTO ONE

While Atlantic moves toward the end of its life, Silicon Valley Community Foundation is just getting started. Like any deal, the merger of PCF and CFSV was in the works for quite some time. While PCF was known for its innovation in grantmaking, CFSV was known for its spectacular growth in assets from corporate fundraising, said Avis, board chair of Silicon Valley Community Foundation and managing partner of Summit Partners. Operating in the South Bay area of California for 40 and 50 years respectively, the two had a history of collaboration. At the same time, Avis said, they were also competing for the same donors or "customer base."

But in the spring of 2006, several internal factors helped push the merger forward. "There was either a current or imminent change in leadership for both foundations, both were also starting to feel the pain of scale and were suffering under the weight of lagging investments in infrastructure and staffing," noted Avis. Furthermore, both were in need of a culture tweak: CFSV was a freewheeling, entrepreneurial culture and PCF had a very well-oiled structure, Avis explained. "CFSV needed either a new leader to usher it into adulthood or some kind of change, while PCF could benefit from CFSV's entrepreneurial spirit," he said.

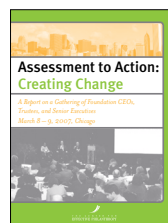
External factors also conspired to help create the merger. First, both organizations faced increasing competition for donors once for-profit financial institutions like Schwab and Fidelity began to offer charitable giving services. Second, the great wealth created in the area was about to go through a generational transfer, sparking major competition

for those monies. Third, "There was a vacuum of leadership for social change within our region," Avis said. "No organization existed that could step in and lead a big initiative." Finally, both foundations were also grappling with problems that transcend county boundaries like housing and health care. Joining forces would present opportunities to collaborate and achieve better results.

And then, too, important funding was offered. "Five very generous foundations in our neighborhood offered to fund the \$3.5 million needed for the merger. The money helped pay for things like studies, our new headquarters, the integration of IT, and media and communications," Avis said.

Avis noted that, while crucial, those factors alone did not seal the deal. Three additional dynamics finalized the January 1, 2007, merger. "Both boards connected and shared that Silicon Valley entrepreneurial spirit and energy. We had a very good process, led by McKinsey & Company. And finally, the vision of creating a beacon in the region – a center of philanthropy – kept us going during those late-night sessions," he said.

While there has been some pain – not everyone was hired in the new organization and some unfamiliar faces are now on board – the Silicon Valley Community Foundation can already boast two tangible results, Avis said. One is demonstrated donor confidence – an extra \$200 million in gifts were received in early 2007 and all previous donors have stayed on board. The other is a march – spearheaded by the Foundation to bring attention to a rash of gang violence in East Palo Alto – which Avis called an example of true leadership that could not have happened before. "It feels like spring training," he quipped. "We have a couple of good arms, a couple of good bats, a few holes to fill, but hope springs eternal – as it does in all spring trainings."



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