

The Edna McConnell Clark Foundation's Bigger *and* Better Capital Flow Creates Its Own Course

by Ruth McCambridge

THE EDNA MCCONNELL CLARK FOUNDATION never intended to operate in perpetuity. Back when the sunsetting was first announced, the foundation quoted Hays Clark, one of EMCF's founders, as saying, "If we found a good opportunity, we would bet the farm on it."¹ But now, thanks to a lot of systematic building of co-investors, it is not just the foundation's farm that will be anted up to continue to build its chosen field of youth development organizations.

In 2016, the forty-seven-year-old Edna McConnell Clark Foundation, which had assets of almost \$1 billion at the end of its FY2015, declared it would spend down all of that within the next ten years. In doing so, it joins a small but growing number of philanthropic bodies that are preelecting their own institutional end. But this is not the only—nor is it the most notable—thing that has distinguished the foundation. Its real distinction was in trying a new form of grantmaking in megagrants that included rare nonprofit-directed working capital, money for real outcome evaluations, and capacity building. It essentially led—if

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PropelNext

As part of the inaugural cohort, each PropelNext grantee received up to \$450,000 to support capacity building and implement performance management systems. Grantees also received expert coaching, structured group-learning sessions, performance-management tools, and access to an online learning platform. Throughout the three-year program, organizations sharpened research-informed program models, developed theories of change (TOCs), and engaged in a test-and-learn cycle to promote a culture of learning and continuous improvement. This led to many different solutions that were tailored to the cultures and learning habits of each nonprofit. Some of the work done under these grants is detailed in PropelNext's June 2018 report, *PropelNext Alumni Study: The Road to High Performance*:

"Based in Manhattan and partnering with public high schools in New York City, Blue Engine employs a team-teaching model to advance academic achievement for low-income students. In support of this model, Blue Engine uses innovative practices that democratize access to, and learning from, data. After working with a data system for several years, the organization found it to be too rigid to meet their need for dynamic, real-time information. The data and evaluation director researched systems in use at other organizations and decided a Google-based system, built in-house, would better fit their needs. The director engaged another staff member to help build the system, and the organization recently purchased Tableau to generate data visuals and dashboards. Program staff was engaged to help design basic dashboards, and the new data system has allowed the organization to decentralize data analysis. As the learning and evaluation team supports analysis efforts, individual staff and teams are able to easily and frequently access and assess their data, applying the filters and tools that meet specific needs during team meetings and check-ins. According to the evaluation director, the new system linked to Tableau has 'transformed how people access data and use it to make decisions.' Blue Engine's orientation towards organization-wide data analysis and learning has helped the organization to better understand their infrastructure needs and identify solutions that work for them."²



"Located in San Francisco, New Door Ventures provides employment opportunities, skills training and education, and support services to transitional-age youth in the Bay Area, where approximately 80,000 youth experience disconnection from education and employment. Staff and leadership at New Door Ventures embrace taking risks and trying new approaches to youth service delivery, notions informed by the use of data and youth feedback. Furthermore, these data discussions have informed the expansion of the program model and theory of change to include education programming. Youth voices are central to implementation of programming at New Door Ventures, and staff and leadership have invested in gathering real-time feedback and systematic feedback from youth through Listen for Good. The commitment goes beyond surveys with the Alumni Leadership Council, a group of program graduates that systematically gather feedback from peers and advising staff on program improvements. As a result of these feedback loops, New Door Ventures has made many programmatic changes to better serve Bay Area youth. A staff member noted how this feedback loop allows 'time to potentially make a change before youth leave the program [rather than change implementation] once they [are] already gone, so they [won't] know, or see the changes, or know that their survey was meaningful.' Additionally, New Door Ventures has created an Insight Team, a cross-functional team that supports a culture of learning and analyzes data collected from across the organization to assess program effectiveness and recommend improvements."³

Among the findings of this report are some that are unsurprising but reflective of the field-building emphasis of such endeavors:

"In addition to documenting evidence of progress on the journey to high performance, this study highlights the ripple effect of PropelNext's capacity-building strategies beyond program design and implementation. Two years post-PropelNext, organizations have continued to build muscle and core competencies for performance management, resulting in notable shifts in organizational practices, behaviors, processes, and culture.

As pioneers in 'uncharted territory,' alumni organizations reflected on the most critical PropelNext components that helped propel them to the next level. While the combination of intensive and comprehensive supports is part of what makes PropelNext a powerful program, both the high-caliber coaching and cohort-based peer-learning model were acknowledged as 'game changers.' With encouragement from EMCF, alumni organizations have developed a strong sense of community, as well as a willingness to lend their support to the PropelNext cohorts that will follow in their footsteps. As one leader put it, 'We would jump at any opportunity to collaborate. We're like the [Harvard Business School] graduates that stay in touch for 50 years.' Others recognized their role and responsibility to advance the field and improve outcomes for at-risk youth. '[We're] part of elevating the nonprofit sector,' said one executive director, a part working 'to create a new standard of doing things for our most vulnerable kids.'"⁴

not created—data-driven grantmaking. It learned as it went what worked and what did not. It adjusted, it stayed with the same organizations for multiple years, and, as one of its most notable characteristics, it purposefully recruited other big investors of the same ilk into the long-term initiative—for the long term.

It was also one of the first grantmakers that we know of to distinguish among the various types of capital and supports that nonprofits need in order to scale.

In EMCF's case, that effort was built around its commitment to children but also its emphasis on data, organization and field-wide learning, and proven results. For just as the Ford Foundation's BUILD program has centered equity, EMCF has centered evaluative rigor (neither to the exclusion of the other). In both cases, other grantmaking was relinquished to concentrate on grantees that fit extraordinarily well within these respective emphases. In fact, before it elected this new focused form in the late 1990s, EMCF was invested in an array of fields that included criminal justice and the developing world. But by 1999, it was beginning to zero in on youth. Since then, EMCF has invested deeply in youth development in a way meant to discover, strengthen, scale, and improve the outcomes of the best-performing organizations in the field. This was not, as one might expect, a decision received with unanimous joy in the grantmaking fields that were discontinued. And, as it turned out, EMCF had a lot of learning to do about time frames, grant sizes, and coresponsibility, even when the nonprofit occupied the driver's seat.

But first, to provide a sense of the scale of the commitments made over that period, we can look at Youth Villages as it is described on EMCF's website, an outline that includes information about capital aggregation and Blue Meridian grants.

In 2015, Blue Meridian Partners approved an investment of \$36.1 million over four years, the first tranche of a commitment of up to \$200 million over 11 years, to support Youth Villages' plan to make YVLifeSet or transitional services of comparable quality available to nearly all the 23,000 youth in the U.S. who age out of

foster care annually, and to expand Youth Villages' continuum of services for troubled youth and their families.

EMCF has awarded \$36.25 million to Youth Villages since 2004. EMCF also helped it secure \$25 million from 11 co-investors as part of the Growth Capital Aggregation Pilot.

In 2011, EMCF invested \$15 million in a second round of growth capital aggregation to implement Youth Villages' strategic plan for 2013–2017.⁵

But the dropping of other fields was not the only major criticism of these grants: another was that they are very exclusively selective and thus may not be helping to open a pipeline to other promising and challenging approaches that have not yet had the opportunity to gear up to prove their impact. This motivated EMCF to launch *PropelNext*, a program specifically created to support the development of those earlier-stage efforts in terms of promoting program excellence through better use of data organization-wide. Even this group of smaller efforts was generously funded.

In 2013, EMCF's president, Nancy Roob, said in an interview with *NPQ*, "When we initiated this strategy over a decade ago, we had the same intention we have today—which is to find organizations that are making a transformational difference in the lives of the most disadvantaged young people, and to invest in their efforts to improve the quality of what they're doing and scale it up, so that significantly larger numbers of kids can be served and their lives can be dramatically improved."⁶ She continued:

We believe that one of the major constraints on nonprofits trying to expand what they're doing—or even just to operate at their normal capacity—is not having the resources they need in hand and up front before they launch their growth plans. So, typically they're chasing the dollars while they're trying to execute. One of our core principles from the beginning was that we would help organizations put together their business plans for three-to-five-year periods; we would provide multiyear investments

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against the performance metrics of these plans; and we would make these commitments up front. The metrics were clear, and we believed that if we helped our grantees put these great plans together—and EMCF made very large investments, which at the time were considered really big investments compared to those we *had* been making and to what was typical for the organizations receiving these grants—other funders would also support these plans.

Around seven years ago, however, we were finding that while grantees were eventually able to raise the money to fully fund their plans, it was a long, hard haul. They were going into year two and three of their plans still challenged with raising money while they were trying to execute. This made it really hard for them to succeed with their plans, and really hard for us as an investor to be confident that our investment approach was adding value. The one major exception during that period was Harlem Children’s Zone (HCZ). At the outset, it was able to secure all the capital needed for its first growth plan, due to the leadership of board chair Stan Druckenmiller and of Geoffrey Canada. I’m not suggesting this was necessarily easy, but they did it and it made a difference—HCZ was able to execute their plan confidently and meet all their growth objectives much more rapidly.

At that point we determined that we didn’t know if we could completely fulfill the potential promise of our strategy if we weren’t able to help more of our grantees secure growth capital up front in a more productive way. And that was when we launched the Growth Capital Aggregation Pilot, with three grantees: Citizen Schools, Nurse-Family Partnership, and Youth Villages. It was just a big idea and a guess at that point.⁷

In 2016, when EMCF’s deadline for its spend-down was announced, Roob and board chair Larry Clark reiterated the foundation’s own learning stance. “Since 2000, we’ve experimented with various ways of addressing the

undercapitalization of high-performing nonprofits that are improving the lives of disadvantaged youth. In 2007, we began leveraging the Foundation’s resources through capital aggregation—that is, pooling our dollars with those of other donors seeking efficient and effective giving vehicles. Through these efforts, we’ve now deployed nearly half a billion dollars in support of exceptional nonprofit leaders, their organizations, and, most importantly, the young people they serve.”⁸ They continued:

Although we’ve had some missteps along the way, our capital aggregation projects convinced us we were onto something important and valuable. So at our board meetings we started asking think-bigger questions like these:

- What would it take for us to invest at a level in keeping with the massive scale of the challenges millions of young people face?
- What would it look like to scale up the investment approach we have built and tested since 2000?
- As new donors seek to make an impact on the same issues we’re passionate about, how can we share with individuals and families the benefits of our investment approach and talented staff—so they don’t have to duplicate efforts?

All roads led to our decision to go bigger and go deeper in concert with others.⁹

In doing so, the foundation appears to be making a clear-headed decision to exchange its institutional life for the greater stability of its select group of grantee organizations. Roob and Clark wrote:

We realize the decision to sunset a thriving institution is unusual. As a board, we began discussing this option many years ago as we watched our grantees and other nonprofits struggle during and after the Great Recession. Following much exploration, we all agreed that expanding and accelerating our investment approach, in partnership with others, provided our best shot at fulfilling

EMCF's mission now. Being able to build on the momentum capital aggregation has gained and contributing to meaningful innovation in philanthropy are the prime reasons for our decision. Given the urgent needs of youth in our country, the opportunity to dramatically step up our game and our giving is the right decision for us.¹⁰

It is a logical end for an organization that set its sights on and devoted its energy to building world-class, world-changing grantee organizations. In spending down, it will use many of its current mechanisms and will retain its tight focus on well-measured impact in youth development and organization building toward that end.

The foundation also says it will ramp up its sharing of the big bank of knowledge it has built up in the course of its unusual practice. This should include information about how to successfully capitalize organizational growth, how to aggregate capital from a foundation base, how to effectively help grantees create a base of evidence (understanding the pattern of successes and failures in rapid organizational growth), and much more.

And that is one of the last things it will do as itself, since EMCF's assets and many of its staff will be transitioning in 2019 to Blue Meridian Partners, a creature of its own making. EMCF, as was mentioned previously, has not just been spending its own money; instead, it has spent the past five years helping to attract other money to a new, collaboratively managed pool—Blue Meridian Partners (current asset base \$1.7 billion, and that is not endowment). This entity, which has been incubated and informed by the foundation's model of growth capital investment, is being incorporated as a stand-alone 501(c)(3). It is not intending to spend out anytime soon; instead, it expects to expand its work by continually attracting new partners and money to do multiyear, capital-intensive grantmaking to scale. In this case, "to scale" means at a level that will allow youth-serving programs with proven models the time, money, and guidance (where needed) to expand, fine-tune their practice, and help shape effective state and national youth policy.

In practical terms, each of Blue Meridian's

grantees will be provided with as many as ten to twelve years of performance-based investments totaling as much as \$200 million. Thus, the grants will not only act as "patient capital" (as it is referred to in business), but also the grant levels, committed for a decade, will be sufficient to set these organizations on a path to assured and sustainable impact.

The model emphasizes organizational strengthening over time, allowing for periodic realignment of parts, world-class evaluation, and the kind of course changes that may flow from learning pains at each successive stage of growth. In other words, these grants are made in such a way as to allow for continuous, even quite aggressive development toward implementation of an organization's mission and vision—which, in all cases, is aimed at helping to improve the lives of low-income children and families. And the whole endeavor is driven by the grantee, whose progress is then monitored and supported by the foundation.

NOTES

1. Ruth McCambridge, "Edna McConnell Clark Foundation Expands Its Work and Plans Its Demise," *Nonprofit Quarterly*, October 19, 2018, nonprofitquarterly.org/2018/10/19/edna-mcconnell-clark-foundation-expands-its-work-and-assets-and-plans-its-institutional-demise/.
2. PropelNext, *Alumni Study: The Road to High Performance*, June 2018, www.propelnext.org/fileadmin/media/Propel_Next/PDFs/PropelNext_Alumni_Study_Full_Report.pdf, 21.
3. Ibid., 40.
4. Ibid., vi.
5. Edna McConnell Clark Foundation, Grantees, "Youth Villages," at www.emcf.org/grantees/youth-villages/.
6. "An Interview with Nancy Roob, President of the Edna McConnell Clark Foundation," *Nonprofit Quarterly* 20, no. 2 (Summer 2013), 43.
7. Ibid., 43–44.
8. Nancy Roob and Larry Clark, "EMCF's Next Chapter," www.emcf.org/emcfs-next-chapter/.
9. Ibid.
10. Ibid.

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