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Edna McConnell Clark Foundation's Growth Capital Aggregation Pilot: **A Bold Philanthropic Innovation**

by the editors

EMCF is known for its innovative philanthropic initiatives, and its pilot project, GCAP—emphasizing metrics and performance-based funding, among other capacity-building measures—is an interesting example, providing, as the article describes it, “a model for the development of evidence-based programming that may set standards and provide blueprints for other youth-serving organizations.”

THE EDNA MCCONNELL CLARK FOUNDATION (EMCF) is no business-as-usual foundation—nor is it the kind of philanthropic gadfly that chases fads and fashions. Rather, EMCF has brought a scientific and experimental kind of consistency to philanthropy in the field of youth development. In doing so, it has utilized many of the principles discussed in Clara

Miller's article—an up-front investment based on a business plan, faith in the capacity of the organization to perform against the plan, creation of shared ownership among a group of investors, and multi-year funding of a size to limit the constant distractions of immediate fundraising.

Approximately fourteen years ago, EMCF began a process of changing its philanthropic

focus and its methods. Where previously it had a number of active portfolios on criminal justice, health, and other ventures, over time, under the leadership of Mike Bailin and then Nancy Roob, it has become almost exclusively focused on youth-serving programs. But its bar for grantee performance became increasingly high. EMCF chose to fund what it saw as star or model programs with rigorous external evidence of effectiveness, and the screening processes it put applicants through were legendary. But, once in the pool, grantees could be assured of getting very close attention and a lot of assistance.

But EMCF took the scheme to an entirely different level with its \$120 million Growth Capital Aggregation Pilot (GCAP), which was launched in 2007 and extended for five years. It was aimed at taking “to scale,” or at least to broader scale, three programs that produced results and in which EMCF had faith. Only \$39 million of the total comes from EMCF, but EMCF helped attract the rest of the funding, which is pooled, and it monitors the progress of grantees.

And since there are only three grantee organizations—Citizen Schools, Nurse-Family Partnership, and Youth Villages—this means that they received an average of \$40 million. The pilot, according to a report by William P. Ryan and Barbara E. Taylor, was to help them expand their impact, improve their evaluation methodologies, and reach a sweet spot of sustainability by maximizing their “reliable-renewable sources” of revenue.

GCAP invests in the grantees’ business plans, leaving them the freedom to spend their money as they see fit, as long as they make sufficient progress toward their goals. The investors rely on reporting systems that focus on that progress rather than on uses of money.¹

The project is interesting on a number of levels. First, because it is massive in its investments in comparison to other aggregated capital efforts; second, because the investment was made just as the recession hit; and third, because its reporting lays out some of the growth-leveraging tactics used by all three organizations, the degree of difference in results, and the variables across the three organizations.

EMCF’s Role

As the lead investor, the Edna McConnell Clark Foundation was also responsible for supporting and monitoring the grantees’ progress and for providing quarterly reports to other investors. This also cut down on transaction time for the grantees, who did not have to report in various ways to multiple funders—this was described as “mindshare,” or the time that grantees were afforded to focus on their strategic objectives. It also, according to the report, supported a bigger evaluation footprint than would have been possible if the reporting standards and mechanisms had been more diffuse.

On the downside, this central role also cut down on the face time that grantees had with all their funders. Overall, it was a focusing mechanism and time-saver, but some worried that it may have limited relationships that were important to their future prospects. This issue has been addressed more recently in EMCF’s True North Fund, for which greater connections between co-investors and grantees are facilitated.

Record-Breaking Investments

Each of the three grantees was awarded a different sum:

- Citizen Schools received \$30.3 million;
- Nurse-Family Partnership received \$50 million; and
- Youth Villages received \$40.6 million.

These are described as “big bets,” even in the world of high-rolling philanthropy. The report’s authors said that they had researched other aggregated grants programs and found around a dozen. Of those, like GCAP, focusing on a limited number of organizations, the average size of the investment was \$3 million.

Sustainability in Growth Mode

Assuming that each of these programs will continue to grow and develop, each had to identify what was for them reliable and renewable funding. The definition of “reliable-renewable” varied by program. For Youth Villages, which is providing services in a field where funding is mandated, this meant figuring out the mechanisms

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PropelNext: An Approach for Smaller Organizations

Editors' note: *PropelNext is one of the next generation of capitalization initiatives at the Edna McConnell Clark Foundation (EMCF). In this interview, Lissette Rodriguez, managing director of PropelNext, describes the EMCF approach with organizations in early stages of development.*

WHILE THE EDNA MCCONNELL CLARK FOUNDATION is committed to its strategy of supporting very large organizations with evaluated program models and business plans that ready them for growth on a national or regional basis, it also recognizes that much excellent work in youth development is done by smaller organizations, and is very local. Because it was clear that the hunger for solid performance measurement and building increased evidence is intense among many of these groups, EMCF, in 2012, began a new initiative aimed at helping propel these smaller youth-serving groups to the next stage of organizational sophistication. This initiative works with organizations with annual budgets of between \$1.5 million and \$10 million over a three-year period.

And increasing impact is the point, says Lissette Rodriguez, who was responsible for developing and now for implementing the program. What *PropelNext* does with its grantees is “grounded in leading with strong programming and helping them strategically use data to inform and to make meaning out of what’s happening.” But the approach includes a look at the organization as a whole.

“We approach [this capacity-building] work in a way that we hope will encourage our grantees to connect with what they were originally hoping to achieve. What was the ultimate aspiration? Is this program achieving that aspiration, and if not, what might I need to change?”

NPQ: *So PropelNext is not focused on growth necessarily?*

Lissette Rodriguez: *PropelNext* is all about depth and quality. Some of these organizations are going to grow locally, some regionally, and maybe even a few are looking at national expansion.

But, basically, this pilot is a response on the part of EMCF to get to organizations who are doing good work on the ground with promising programs, but who haven’t had the wherewithal or the resources to develop their own performance-management capacity—let alone one day possibly be able to conduct any kind of external evaluation—because they hadn’t done the internal work to prepare for that and needed the organizational capacity to do both to eventually grow and scale.

NPQ: *Can you sum up what PropelNext does, for those readers who may not know?*

LR: Our program is three years long. We are in the first eighteen-month phase, and right now we have a cohort of fifteen grantees. Each grantee gets a cash grant of up to \$200,000 and one-on-one consulting support valued at about \$150,000 to \$200,000, as well. We also have a set of peer-learning activities to tackle common areas that grantees are struggling with as they sharpen their

programs, like creating strong performance-management systems and creating the organizational infrastructure to support this work. We are adding an online platform to help to supplement the learning and keep people connected. Ultimately, our goal is to be responsive to the stage of development that each organization is in.

NPQ: *So you are using capital to increase impact but in a different way.*

LR: Yes, I think that people are beginning to play with depth as a scaling concept. Before an organization grows, how do you make sure that its programs have the depth needed to achieve impact? And how do we make sure that program evaluation is such a part of the organizational culture that it informs and guides the work on a daily basis? These are some of the questions we and the grantees are playing with as we do the work.

NPQ: *It sounds like you are in experimental mode.*

LR: We still have so many questions. We are only completing the first year of implementation. The project reminds me of that Rilke quote about living the questions patiently, because whatever data you get is generating additional questions. We have a design for PropelNext and we have a set of assumptions, but ultimately our grantees are helping us to test those assumptions.

I'll give you an example. For the second phase, which is the second eighteen months, we originally thought that we would help grantees do business planning. We are spending the first eighteen months helping grantees revisit their theory of change and program design and then helping them align metrics with that revised design. We initially believed that while that work would continue, they would also be in a position to do business planning in the second eighteen months.

NPQ: *That sounds rational.*

LR: It sounds very rational, but we know now that 1) the work takes much longer than we anticipated, and 2) it's not business planning that these grantees need now. Instead, they have to really look at what organizational structures need to be shored up so that what they've done programmatically is institutionalized.

So now we're working with grantees, having them give us suggestions for the design for Phase 2, and asking them what they need next. In the end, it is not our timetable to own. It is work we are doing together.

We must learn from and with our grantees to be effective and respectful funders in this realm. Our grantees have been incredibly successful in their own rights, and they are confident but not so overconfident as to prevent them from examining and deconstructing their own work. In that process they're going to make some changes—some of that they're going to get right and some of that they're not. But, in the context of raising money, how do people who've had a lot success in their communities talk about the fact that they're willing to rethink some of what they've done? This is a dilemma the foundation has to share with our grantees.

NPQ: *There must be a way to begin to talk about this idea of a constant testing of assumptions as being almost the ideal form of practice.*

LR: I think that that would be great. It would just open up such innovation and creativity to get us away from this need to produce slam dunks every single time—which, of course, we don't anyway. I think we all have to try to open up the space for continual learning a little bit.

[S]ustainability for these grantees, and especially those that are publicly funded, lies in their ability in a performance-focused funding environment to prove that their models work better than others. . . .

to optimize their public funding. In contrast, for Citizen Schools, philanthropic dollars were considered to be most renewable, in part because of its high level of volunteer participation and in part specifically because it is not a candidate for high levels of public funding.

The Nurse-Family Partnership, which is fee based through third-party payors, is working from an economies-of-scale model that requires the organization to expand its base of “customers” until the break-even point is reached. However, this, of course, is a model sensitive to the funding streams of the contracting agencies, and one of their major sources is Medicaid, which is now seriously in flux as a result of the U.S. Supreme Court’s decision to strike down the portion of the Affordable Care Act that would have required states to expand Medicaid coverage. Still, the environment does give the organization plenty of room for expansion.

Thus, and obviously, sustainability for these grantees, and especially those that are publicly funded, lies in their ability in a performance-focused funding environment to prove that their models work better than others, and in their ability to negotiate political situations in every possible sense.

The Capacity-Building Measures Chosen by All Three Grantees

All three grantees chose to focus on a similar array of capacity-building measures:

- Evaluation. This was, as the report authors state, a natural focus, since EMCF screens its grantees for that native capacity, but it was also fortuitous in that the public and private funding environments emphasize metrics and performance-based funding.
- Leadership development—both on the senior team and at the state and local levels.
- Development of influence in public policy.

What Is the “Scale” Being Sought?

As Ryan and Taylor point out, there is no chance that any one of these organizations will expand to directly serve all of the youth in the United States in need of its services, nor is that EMCF’s intention. It was estimated in their report that Youth

Villages, for instance, in 2011 served 18,000 of 500,000 youth that may have needed such a service in the United States. Nurse-Family Partnership served 22,000 first-time mothers in 2011 against the 650,000 children eligible for their services born that year.

On the other hand, the robustness of the organizations, their access to great evaluation, and their political acumen and influence may afford the program models greater prominence in their fields. Additionally, the pilot provides a model for the development of evidenced-based programming that may set standards and provide blueprints for other youth-serving organizations.

Is this the right way for philanthropy to go? The *Nonprofit Quarterly* often worries about the “crowding out” effect that such enormous investments can have, promoting one model over others that may be emergent, innovative, or just plain ignored because they have not had the benefit of evaluation or a fully funded infrastructure.

EMCF has tried to address this challenge through its *PropelNext* initiative, which is open to developing youth-serving organizations driven to greater levels of impact (see sidebar).

But no one can fault the Edna McConnell Clark Foundation for a lack of full commitment and rigorous attention to institution building among their grantees and in taking this big jump. As the authors point out, EMCF banked its reputation on the success of these grantees so that, ultimately, more young people will benefit from programs that can help them to achieve a healthy, productive adulthood.

NOTE

1. William P. Ryan and Barbara E. Taylor, *An Experiment in Scaling Impact: Assessing the Growth Capital Aggregation Pilot* (New York: The Edna McConnell Clark Foundation, 2012), 15, www.emcf.org/fileadmin/media/PDFs/GCAPReport_Final.pdf.

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