



The Edna McConnell Clark Foundation's
Youth Development Fund:

RESULTS AND LESSONS FROM THE FIRST 10 YEARS

September 2013

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THE
Edna McConnell
Clark FOUNDATION



On the cover:

Top
Reading Partners
California

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Gateway to College
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Colorado

In 1999, the Edna McConnell Clark Foundation (EMCF) began an experiment that would ultimately reinvent its grantmaking. Starting with three grantees, it tested an approach for improving the life prospects of disadvantaged young people by investing heavily in the capacity of nonprofits to “scale up” programs of proven effectiveness.

For the past 10 years, conducting more than 150 confidential interviews with leaders of more than 40 grantees, we have provided the Foundation ongoing feedback about the effects – intended and unintended – of its grantmaking. For this paper, we returned to our archive of interviews and examined the Foundation’s own performance data to consider two questions:

Have the Foundation’s grantees moved the needle—with greater scale and impact—in improving the life prospects of vulnerable youth?

What lessons can be drawn from EMCF’s experiences—positive and negative—to inform others in the field?

This paper has three parts:

- 1** an overview of the grantmaking strategy the Foundation adopted in 1999;
- 2** a summary of grantee progress in achieving the scale and impact that are the goals of EMCF’s grants; and
- 3** lessons and reflections on key aspects of the Foundation’s approach.



Hillside Work-Scholarship
Connection
New York

The grantmaking strategy: Investing for scale and impact

The Foundation invests large sums of flexible, upfront money to help grantees build the capacity they need to scale up effective programs. **Between 2001 and 2012, grants averaged \$3.9 million for a three-year term, renewable depending on a grantee's performance.** Although the Foundation rejected the widespread philanthropic practice of highly restricted program grants, it did not opt for unrestricted general operating support grants, either. Instead, like many results-oriented private equity investors, it invests against business plans for growth and quality. Grantees agree to hold themselves accountable to annual and end-of-investment performance milestones that they set with the Foundation.

Except in the few cases where grantees happen to have just completed sound growth plans, the Foundation first provides funds and consultants—often from the Bridgespan Group, which has worked with EMCF grantees since 2000—to help **grantees develop business plans that chart their course toward large-scale impact.** The planning usually starts by reviewing the organization's logical assumptions about how its work ultimately changes the life chances of vulnerable youth. The business planning builds on this clarified theory of change, laying out ambitious growth goals and specific steps for meeting them. Plans touch on anything affecting the organization's capacity to grow, from organizational design and staffing levels

to technology infrastructure and revenue models. Alongside the business planning, grantees also often develop a companion plan for evaluation, showing how they will subject their programs to ever-more rigorous impact assessments.

If the Foundation finds the grantee's plan compelling and achievable, the final **business plan becomes the foundation for EMCF's investment.** The plan largely determines the size and timing of the Foundation's grant, reveals risks that the Foundation and grantee will monitor vigilantly, and offers the milestones by which grantee progress will be measured. Grantees are free to spend their money as they see fit, as long as it advances the plan and they continue to make progress toward their goals.

Although this flexibility prompts many EMCF grantees to refer to the grants as “no strings attached,” the plan itself provides a robust accountability structure that keeps the focus on attaining key milestones. But grantees are not bound to the plan no matter what. In fact, following the economic collapse of 2008, the Foundation provided funds for grantees to engage in scenario planning that allowed them to lay out several alternative courses of action that varied depending on economic and policy circumstances. Investments and monitoring were then restructured in light of the revised goals.

It goes without saying that grantees like large, flexible, upfront grants. As one explained, part of “the tremendous power” of “upfront chunks of cash”¹ is that they allow leaders to focus on meeting their strategic goals instead of pursuing and accounting for a series of small, restricted grants.

We turn next to the question of whether grantees have in fact made progress toward their goals, which is the best way to consider the value of the Foundation's approach.

¹ *Quotations in this report are unattributed because interviewees were promised anonymity.*

BEFORE AND AFTER

In 1999, EMCF enjoyed a long track record as a highly regarded funder. It made scores of grants annually to organizations tackling a variety of social challenges, ranging from reform of the criminal justice system to the eradication of tropical diseases.

But as its experimental Youth Development Fund began to show promise, EMCF radically reshaped its portfolio, going from \$27 million to more than 200 grantees in 1999 to \$47 million to or in support of 23 grantees—focused exclusively on youth development—in 2012.

Have the grantees moved the needle?

EXHIBIT A

Average Annual Growth of Grantees While in Foundation's Portfolio, 2000-2012

Youth served **19%**

Expenditures **17%**

Revenues **23%**

The short answer is *yes*.

Grantees' success is summarized below on the two dimensions at the heart of the Foundation's strategy—their progress in (a) scaling up (b) programs of proven effectiveness.

SCALING UP

In the decade-plus since the Foundation transformed its grantmaking strategy, grantees have enjoyed striking growth. As shown in **EXHIBIT A**, on average, grantees increased the number of vulnerable youth they served by 19 percent annually. Measured in budget terms, grantees increased their expenditures by an average of 17 percent annually.

EXHIBIT B shows total absolute growth across the Foundation's grantee portfolio in terms of numbers of grantees, total youth served, and average number of youth served per grantee.

EXHIBIT B

Growth in Grantee Portfolio 2000-2012

	2000	2012
Number of grantees	3	23
Total youth served	7,624	176,973
Average youth served per grantee	2,541	7,694

As **EXHIBIT A** shows, average expenditure growth (17 percent annually) lagged behind growth in the number of youth served (19 percent). The fact that cost-per-youth-served did not rise as much as the number of youth served may be an indicator of grantee efficiency. Another encouraging indicator is the 6 percent margin between expenditure growth and revenue growth (which averaged 23 percent). This margin, which has contributed to overall increases in grantees' net assets, suggests increasing financial strength and the growing ability of grantees to make longer-term investments in capacity building.

PROGRAMS OF PROVEN EFFECTIVENESS

To succeed in changing the life prospects of large numbers of youth, the Foundation concluded that it would have to help grantees build their capacity not only to scale up programs but to evaluate them as well. It had learned early in its search for promising grantees that few nonprofits could make the claim—based on rigorous evaluation—that their programs had been proven effective. And it was programs of *proven* effectiveness, EMCF believed, that were most ready and worthy of expanding to scale. But for a variety of reasons—including nonprofits' lack of resources, unfamiliarity with evaluation practices, and skepticism about the value of expensive evaluations in the first place—the number of proven programs was small.



Nurse-Family Partnership
California

In response, the Foundation developed a three-tier evaluation classification to help it assess the strength of a grantee's evidence base. Programs were sorted by *proven effectiveness*, *demonstrated effectiveness*, or *high-apparent effectiveness*. [See

EVIDENCE FRAMEWORK.] At the proven end of the spectrum are programs tested in "gold standard" randomized controlled trials; at the other end are programs whose participants are tracked using more modest techniques that suggest likely effectiveness.

EVIDENCE FRAMEWORK

To help assess a nonprofit's evidence base, we distinguish among three levels of evidence:

Proven Effectiveness: A rigorous independent evaluation, ideally a randomized controlled trial or its closest possible equivalent, has scientifically proven that a program produces positive outcomes for vulnerable youth.

Demonstrated Effectiveness: An external evaluator can reasonably conclude, on the basis systematically collected data comparing program participants with peers not receiving the service, that young people are benefiting from a program.

High Apparent Effectiveness: An organization systematically collects data and assumes on the basis of this internal evidence that young people are benefiting from a particular program.

See page 6 for a detailed chart and Appendix page 1 for more information on evidence of effectiveness.

This rubric was not used, however, as simply a one-time pass-or-fail test for determining whether an organization was awarded a grant. Instead, it reflected EMCF's developmental approach to evaluation. By serving as an investor in and advisor on grantees' evaluation progress, the Foundation aimed to help promising organizations with thinner evidence bases improve their programs by mounting more thorough evaluations. Additionally, all grantees were encouraged, and funded, to develop real-time data collection systems that allowed them to identify and address weak spots in their programs on an ongoing basis. (The grantees' experiences with EMCF's evaluation approach are discussed in more detail on page 10.)

THE UPSHOT

EXHIBIT C summarizes the evolution of the Foundation’s portfolio on these two dimensions of *scale* and *impact*. **Not only did the number of youth served by grantees in the portfolio increase, but the share of those young people who were served by programs**

of demonstrated or proven effectiveness increased as well. In its first year, none of the young people were served by programs of demonstrated or proven effectiveness. But after five years, nearly half were served by programs of demonstrated effectiveness. And by 2012, 54 percent were in the *proven effectiveness* category, and 36 percent were in *demonstrated effectiveness*.

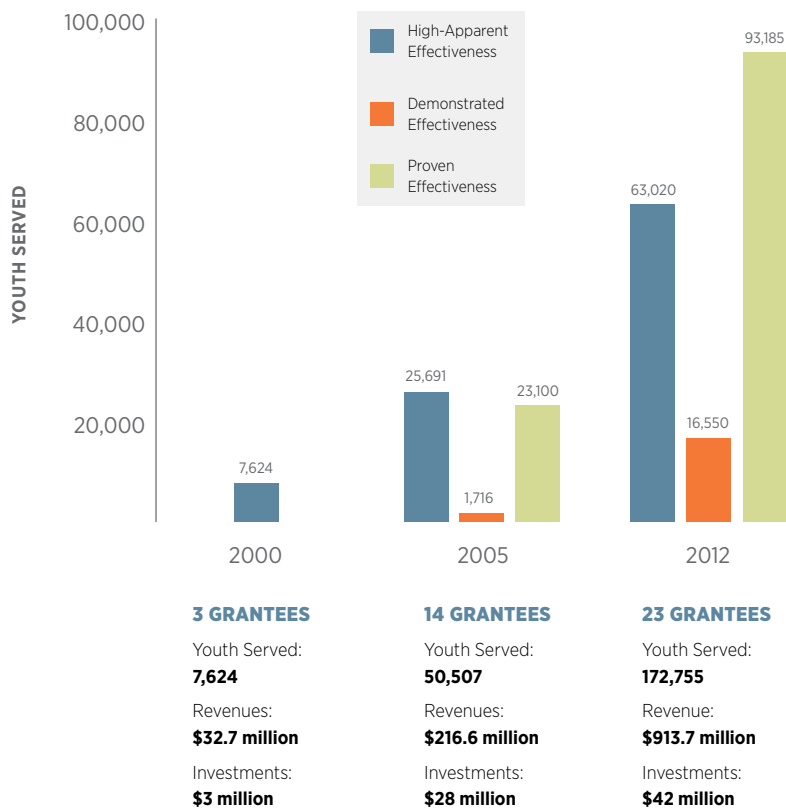
Put another way, 90 percent of the programs have strong, empirical evidence they are making a significant impact on the life prospects of vulnerable youth. The remaining 10 percent of programs are promising, with a good chance that rigorous evaluation will reveal or contribute to their high level of effectiveness as well.

Judging from the grantees’ accounts, **the Foundation’s contributions to their efforts to achieve scale and impact have been decisive in helping grantees become stronger, larger and more effective organizations.** We offer on the next page, our reflections, based on those accounts, of how the Foundation figured in their progress.

EXHIBIT C

YDF Portfolio Evolution: 2000 to 2012

Since 2000, the YDF portfolio has not only grown in both total youth served and revenue, but significantly increased the proportion of youth who receive services from proven programs.



2000: First investments made in Roca, Citizen Schools and Harlem Children’s Zone. Strategy to support scaling out-of-school-time programs with evidence of effectiveness in education, employment and risk avoidance.

2005: \$28 million to and in support of 14 grantees. By 2005, EMCF fully transitions grantmaking to the Youth Development Fund.

2012: \$42 million to and in support of 23 grantees. In 2011, EMCF launches the True North Fund to augment Social Innovation Fund awards.

Total of \$322 million invested over 2000-2012 to and in support of grantees.

Lessons learned



[EMCF Portfolio Managers] are absolutely committed to our success... It's really astounding that they've helped in every way imaginable."

The interviews we conducted with grantees over the years were intended to inform and benefit EMCF. But many of the grantees described the Foundation's approach as an experiment that could offer useful lessons for the broader field of philanthropy. As one executive director said, sounding a common refrain, "Kudos to them for getting to this place. The average funder in the sector doesn't understand what [EMCF] is doing... It's wonderful." In that spirit of sharing, we note below seven features of the Foundation's grant-making that have been most striking to grantees and may therefore be of interest to other funders.

1. PROGRAM OFFICERS: BUILD THE ROLE AROUND GRANTEES, NOT GRANTS.

Like those at most foundations, EMCF's program officers focused on making grants wisely: finding and vetting grantees, joining them as occasional thought partners, and monitoring progress toward goals set forth in their funded plans. But the new investment strategy placed less emphasis on managing grants and more on partnering with grantees. To distinguish the two roles, EMCF gave its program officers the new title of "portfolio managers" (PMs).

Describing the new role, the Foundation's president at the time, Michael Bailin, told a conference of philanthropy leaders: "The job isn't to devise some ideal new way to approach youth development. It's to help organizations design and implement their own ideas for improving services, achieving more, and growing." The quickest way

to appreciate the depth of the work entailed in that proposition is to look at portfolio managers' caseloads: Before 2000, the Foundation's five program officers were assigned as many as 30 grantees each. Today, each of its five PMs usually handles three to five.

Charged simply with "helping grantees succeed," the PMs are granted considerable discretion in their work. Grantees are struck by the novelty and power of the approach. As one said in a typical reflection:

They say, "You've got a great program and we're not only going to give money and help with business plans, but we're going to be in the room and help you think."... They are absolutely committed to our success... It's really astounding that they've helped in every way imaginable.

PMs bring varied expertise to the roles—including experience in business, government, consulting, and nonprofit management—but serve mostly as generalists, helping grantees frame problems, develop plans, and get the necessary resources to advance their shared goals.

Their backgrounds may vary, but grantees describe a single-minded approach to working with grantees. One executive director said:

They really respect the work and the individuals doing the work, and my people know that. We run into funders who think it's their job to show us they know more about our work than we do. Some will bring you value even if they have to destroy you! We don't get that at Clark. They offer help, and offer to find help. If you don't take a suggestion from them, they're not going to play Gotcha! by raising it down the line. That stuff doesn't go on.



First Place for Youth
California

As much as the PMs are partners in service to the grantees, they are also stewards of the Foundation's funds, which makes oversight a big part of their job. Previously the Foundation's program officers managed grants for discrete programs that represented a fraction of a grantee's budget, and an even tinier fraction of the Foundation's. In contrast, today's PMs are managing "enterprise-wide" investments that can span every aspect of a grantee's operations and require a deep understanding of its strategies, programs, people, business model, and environment. The higher stakes, for both grantee and the Foundation, require closer attention to grantees' performance.

To our initial surprise, we have learned that grantees do not consider the PMs' close involvement to be intrusive. This may owe to the fact that the milestones used by the Foundation to assess grantee progress, on the one hand, and the goals of the grantees' management teams and boards of directors, on the other, are generally one and the same. (We found support for this view by comparing the reports grantees made to their boards with the reports they made to the Foundation.) Rather than imposing the Foundation's goals, PMs work with the grantees to advance the grantees' goals.

Although the most recent rounds of grantee feedback indicate uniformly high regard for the PMs, the Foundation earned this only after some trial-and-error experiences. For example, it turned out that grantees had more positive experiences when working with more senior PMs. This owed partly to the acumen that more seasoned professionals bring to any role, but was also related to grantees' perception of a PM's stature within the Foundation. Those with longer service or more authority at the Foundation appeared more com-

fortable and confident in using their discretion to adjust plans with grantees as circumstances changed and, in some cases, to take bigger risks to achieve a key goal. Grantees valued these PMs more highly as partners.

2. FINDING AND VETTING GRANTEEES: INVESTING IN THE ENTIRE ORGANIZATION MEANS KNOWING THE ENTIRE ORGANIZATION.

The Foundation's shift toward larger, flexible grants to fewer organizations called for new approaches to identifying and vetting prospective grantees. Instead of choosing from a large number of unsolicited applications, it canvasses the field and networks aggressively to find the few organizations that offer a promising combination of effective programs, strong leadership, and big growth ambitions. And instead of a simple review to inform decisions about modest investments in a given program, Foundation staff conduct rigorous due diligence to justify their big bets on organizations.

After explaining its grantmaking to a prospect—in what one executive director recalled as "exactly the phone call I'd been waiting for all my life"—the Foundation delves into a prospect's financial records and program reports, holds dozens of conversations over several visits with senior managers, board members, front-line workers and other funders, and directly observes programs when appropriate. "The process is way beyond what other funders do," said one executive director. "But that only makes sense. When a foundation is investing in the whole organization, it needs to understand the whole organization."

Because we did not interview grant seekers who were *not* offered grants after due diligence, we may have a limited picture, but grantees interviewed over the past 10 years have rarely faulted the Foundation for this intensive scrutiny. There have been no charges of the "hoop jumping" that grant seekers often complain of. To the contrary, many grantees value the extensive due diligence—both for the learning opportunities it presents and for the chance to begin forging a highly and refreshingly collaborative relationship with a funder.



We actually *liked* due diligence. The people were prepared and thorough. They respected our time and tried to learn from us and about us.”

“We actually *liked* due diligence,” explained one grantee. “The people were prepared and thorough. They respected our time and tried to learn from us and about us. They didn’t come with preconceived ideas.” Moreover, many grantees report that due diligence improved their own understanding of their organizations. “There is great value in just stopping and thinking,” said one executive director about due diligence. “Just having smart people ask questions helped us clarify our thinking.”

Most grantees report that due diligence is also a critical first stage in building their relationship with the Foundation, starting with an appreciation for EMCF’s seriousness. “They’re not just some people running around managing some money,” said one. “They’re really thinking about this stuff.” And the many conversations over the course of due diligence, some of them about grantees’ limitations and liabilities, also model the candor and respect that grantees consider hallmarks of their relationship with EMCF. In the words of one grantee, “That relationship-building helped facilitate the work once it began.”

3. PROVIDING EXTRA-FINANCIAL SUPPORTS: THE RIGHT HELP ON THE RIGHT PROBLEMS AT THE RIGHT TIME.

Grantees’ business plans identify capacity gaps that they must close in order to reach their scale and impact goals. But the Foundation learned early on in its new investment approach that organizations often need capacity to build capacity: referrals to top-notch consultants, help in shaping the goals and scope of a consulting engagement, and money to pay for it. In response, it developed an extra-financial support (EFS) strategy.

In a 2010 survey we conducted, grantees expressed high satisfaction with the Foundation’s EFS approach, which aims to help them “access the highest-quality consultants to address grantees’ biggest challenges at just the right time.”

In almost all cases, grantees cite positive results from the engagements. In some, the changes have been transformational: “I’ve never worked with someone with that kind of mind,” said one executive director of the lead consultant on business planning. “As a result, we did stuff with her we’d been trying to do for years.”

The Foundation has approached EFS more as a strategy than a program. There is no set menu of offerings from which grantees choose, no recommended sequence of capacity-building activities for creating a high-performing organization, and no definitive list of approved consultants. Instead, portfolio managers and grantees identify the biggest needs or opportunities that arise as the organizations develop and carry out their plans for scale and impact. As a result, grantees end up using a variety of resources in different configurations that are tailored to their needs. “Clark is willing to say, ‘Let’s figure out what help you need and we’ll help you get it,’ said one grantee, contrasting that approach to that of foundations that say, “We’ve got all this support, so now choose from what we have on our list.”

Grantees make the final choice among recommended consultants. Nevertheless, grantees reported getting the best results when working with firms that had a track record of consulting with the Foundation’s grantees. Grantees rated the most frequently used consultant 4.75 on a 1-to-5 scale. The least used was rated at 2.43. This lends support to the Foundation’s practice of favoring (but not prescribing) a small stable of consultants with a deep understanding of grantees’ needs.

Grantees’ positive feedback about the Foundation’s EFS notwithstanding, one aspect has posed challenges over the years: What should the Foundation’s role be during a consultant engagement, particularly during business planning that sets the milestones around which EMCF’s grants are organized? Grantees appreciate how PMs’ involvement in the engagement can enrich the final product with their strategic thinking. Yet they also report some confusion over “who the real client is”—the Foundation, which pays for and in some cases recommends the consultant, or the grantee? EMCF is emphatic that the business plans underlying its grants must



National Guard Youth ChalleNGe Program
Kentucky



PACE Center for Girls
Florida

reflect grantees’ genuine interests and goals, but the subtle dynamics of the consultant-grantee-funder triad sometimes leave grantees wondering how much deference, even unconsciously, the consultants are giving the Foundation that is paying for their work. Most of the time this becomes an issue very early in a grantee’s work with the Foundation. We have found that over time, as the Foundation tends to earn their trust, grantees report greater comfort in “pushing back” on both consultant and funder.

4. INVESTING IN EVALUATION: CHANGING MINDSETS, NOT JUST METRICS.

The Foundation’s strategy of investing in organizations with proven programs puts evaluation at the center of its work. But the same was not true for most of its grantees. As a result, the Foundation has partnered with grantees on

two fronts—to encourage a new mindset about evaluation, and to build the technical capacity to carry it out.

In our earliest interviews with grantees, many were neither able nor willing to pursue in-depth evaluation. They considered evaluation expensive, impractical, disruptive and, because results might not be positive, threatening. Some argued that because randomized controlled trials would exclude youth assigned to control groups from receiving their services, it was also ethically compromising.

More recent interviews reveal an entirely different mindset, particularly among longer-term grantees. Through ongoing dialogue, the introduction of evaluation advisors and experts, and exchanges with other grantees, many leaders have, as one put it, “gotten unstuck” and now welcome evaluation as an essential tool for advancing their missions. Grantees credit the Foundation for both “giving us a deep appreciation for evaluation” and “exerting a positive pressure” to pursue it.

Virtually all of the grantees and EMCF now share the same sensibility about evaluation. Rather than viewing it as test administered at rare intervals to determine whether a program works or not, they consider it part of a commitment to continuous learning. Reflecting that view, the Foundation has funded and advised grantees as they pursue a range of evaluations. Some seek to document program impacts on youth through rigorous social-science studies; others generate ongoing data that grantees can use to spot and correct problems in real time. Grantees don't "check evaluation off the list." They integrate evaluation into their organizations' systems and cultures.

Although grantees today are much more likely to share the Foundation's views on evaluation, they still occasionally find it fraught. The Foundation and its evaluation advisors are often tough judges of grantees' evaluation plans, pushing for more in-depth studies. And although the Foundation emphasizes that the choice of evaluators is up to the grantee, it sometimes raises skeptical questions about the quality of evaluators' proposals. As a result, grantees are occasionally left wondering if such reservations will affect the Foundation's confidence in their findings and, therefore, their prospects for funding.

Over time, the Foundation formalized its approach to helping grantees build their capacity for evaluation. It organized an Evaluation Advisory Committee of external, independent experts to guide its own evaluation strategies and to offer technical assistance to grantees. Investment plans now include evaluation milestones. And, just as the Foundation developed a partnership with the Bridgespan Group to provide business planning consultation to grantees, it has allied itself with MDRC as its favored evaluation provider and has helped a number of grantees defray the costs of evaluation with supplemental grants. And, of most consequence to grantees, the Foundation now gives similar weight to their business plans and their evaluation plans in allocating its funds across the portfolio.

5. CONCLUDING THE RELATIONSHIP: IT'S NOT WHAT YOU SAY, IT'S WHAT GRANTEE HEAR.

As the end of a grantee's investment term approaches, the Foundation weighs the case for reinvesting by considering how the grantee fared in meeting the goals it laid out in its business plan. But a second consideration has become increasingly important: How does a given grantee compare to others in or under consideration for the portfolio—both in terms of the number of young people they can reach and in the strength of the evidence supporting their programs? Not surprisingly, such analysis has led over time to departures from the portfolio.

Interviews with portfolio managers and recently departed grantees reveal a classic Rashomon story. The PMs focus on the milestones in the grantees' business plans, pointing to cases where a grantee has long struggled, despite the Foundation's best supporting efforts, to reach an agreed-upon goal. They also describe the grantee's standing in the portfolio relative to others, and recount the conversations in which they signaled the Foundation's thinking to the grantees.

No one listening to their accounts would be surprised that they opted to end a grantee relationship—except sometimes, as it turns out, the grantees themselves. Several reported that they were surprised by the decision and that it was only in hindsight that they understood the messages that PMs had been delivering.

The problem seems to be partly the clarity of the communications, and also the context in which they are heard. Grantees accustomed to seeing the Foundation as "a true partner" that is "totally committed to our success" may not be prepared for the Foundation's messages, which apparently need to be expressed much more directly and perhaps even repeatedly. The Foundation has been working with the feedback we have gathered to address the challenges of engineering good exits that are not only fair and responsible, but clearly communicated.

Even though the decisions not to reinvest were surprising for some, former grantees report they are otherwise well managed. There is sufficient advance notice for them and their boards to seek replacement funding, and a final supplemental grant is sometimes offered as part of the



Citizen Schools
California

Foundation's commitment to "do no harm" in withdrawing. Even the disappointment of losing the support of a valued funder did not lead any of the grantees to revise their assessments of the Foundation. One executive director expressed the sentiments of others: "The combination of their incredible generosity with flexible money, and being pushed on performance, was an extraordinary gift for which we could only be grateful."

6. POLICY REFORM: INVESTING IN GRANTEE'S TARGETED AGENDAS.

Before 1999, the Foundation made a share of its grants to organizations that sought to affect policy reform and systems change, reasoning that the right policies can sometimes produce sweeping changes that could improve many people's lives. In contrast, the new strategy eliminated those grants in favor of investments solely in nonprofits that deliver on-the-ground services on a large scale.

EMCF believed that as these organizations grew larger, greater sums of public funding would start to flow to programs "that worked" based on rigorous evidence of impact. Additionally, EMCF believed that policy-making would be better informed by the growing body of evidence of "what works" as these organizations built upon their evidence base (in part through external evaluations), and in turn these nonprofits would become attractive models to be scaled by government.

A few grantees—although they benefited directly from the large investments made under the new strategy—questioned the Foundation's assumptions. As one executive director said in 2003: "To leave it at the organizational level, and not figure out how to affect public policy and public systems, is a missed opportunity." As some grantees approached what they felt were tipping points where new policies were essential, EMCF's lack of active engagement in such work could be perceived as a barrier. One leader explained how his organization's growth goals and public policy

agenda had to move in tandem:

To go from zero dollars to \$10 million, you need public policy there. From \$10 million to \$20 million, you need public money there. But to go from \$20 million or \$50 million to \$100 million, you need to change public policy.

Influenced by the grantees' experiences and the political realities that hampered the rational allocation of public funding despite a growing body of evidence of what works in social policy, the Foundation's stance evolved. Although it did not return to supporting systems-change efforts or policy reform institutes, it did over time offer grantees greater assistance in building their capacity to advance policies that would favor the scaling of their proven programs. EMCF has also begun making strategic investments in organizations that advocated for greater government accountability and smarter decision-making about "what works."

This new approach is in keeping with the Foundation's preference for investing in plans with defined milestones that allow for measuring progress and making course corrections. Grantees' policy reform agendas are subjected to the same standards of rigorous planning and ongoing monitoring as any other investment. And unlike sweeping reform agendas that may target multiple levels of policy over years, the grantees' plans pinpoint critical junctures in policymaking that offer opportunities for breakthroughs. For example, as outlined in its 2007-2012 growth plan, Nurse-Family Partnership increased investments in advocacy and government relations teams. As a result, its growth prospects were radically improved by favorable provisions in the Affordable Care Act.

Although quite different from the broad systems-change agendas the Foundation once supported, these targeted grantee efforts have established policy reform as a critical resource in scaling proven-effective programs.



Children's Aid Society — Carrera Adolescent Pregnancy Prevention Program
Florida

7. CAPITAL AGGREGATION: POOLING FUNDS FOR GREATER GROWTH.

In launching its new investment approach in 1999, the Foundation increased the size of its grants more than tenfold—from an average of \$322,000 in 2000 to \$3.9 million in 2012. But even then, worried that its grants would not be commensurate with the scale ambitions of its grantees, it offered grantees help in raising funds from other donors. Its early efforts were *ad hoc* and hit-or-miss, however, especially for a few grantees that were poised for enormous growth that could transform the lives of many more vulnerable youth. EMCF concluded that its big grants were not nearly big enough. It reasoned, further, that not just the size, but also the timing, of grants matters: If grantees did not have large sums of capital upfront, they would be reluctant and unable to commit their organizations to executing plans that might turn out to be underfunded down the road.

In response, EMCF launched the Growth Capital Aggregation Pilot (GCAP), a \$120-million investment initiative that coordinated unrestricted grants **upfront** from about 30 funders, and included \$39 million of EMCF's own money. Whereas the Foundation's typical investments ranged from \$2.5 to \$5 million per grantee over

a five-year term, GCAP invested \$30 to \$50 million in each of three grantees. These organizations sought not only to scale up their proven programs but to do so with the support of business models that promised financial sustainability for the long term.

Although the recession dealt a serious blow to their plans, the GCAP grantees managed to increase the number of youth they served by an average of 69 percent over four years. The recession also threatened their efforts to become more sustainable by raising a greater share of their revenue from "reliable and renewable" sources, but they still managed to attain 70 percent of their original sustainability goals. (For a full account of GCAP's results, see our report, *An Experiment in Scaling Impact: Assessing the Growth Capital Aggregation Pilot*.)

Among other transformational benefits of this funding approach, a set of in-depth case studies of the pilot grantees found that GCAP's huge, upfront, flexible grants freed their executive directors to focus on managing their scale and sustainability efforts. "If you have separate grants you're almost always about to run out of money and need to get another one," explained one GCAP grantee. "So there's always pressure to raise money and do things that aren't on strategy. With GCAP, even in the recession we've stayed absolutely focused on our strategy. The GCAP lesson is: Why would a nonprofit with serious potential be funded any other way?"

Encouraged by these promising early results in capital aggregation, the Foundation subsequently launched the True North Fund. (See **TRUE NORTH FUND**.) As with GCAP, it pools and coordinates the investments of other funders, but this time for an entire portfolio of grantees rather than individual organizations, and it adds—through the federal Social Innovation Fund—major government funding to the mix. Significantly, less than half of funds committed to the True North Fund were restricted to particular grantees, leaving the rest to be distributed at the Foundation's discretion. This public-private funding venture will be the subject of extensive evaluation to determine how effective capital aggregation funds are in lifting the life prospects of large numbers of vulnerable youth.



With GCAP, even in the recession, we've stayed absolutely focused on our strategy. The GCAP lesson is, Why would a nonprofit with serious potential be funded any other way?"

TRUE NORTH FUND

The Edna McConnell Clark Foundation launched a new fund in 2011 to aggregate private growth capital and help programs supported by EMCF and the federal Social Innovation Fund expand and serve significantly more low-income youth.

As of July 2013, 14 co-investors had committed \$56 million to the fund, and True North Fund grantees had succeeded in raising an additional \$4 million, to help meet their matching fund requirement and implement their growth and evaluation plans.

By aggregating and delivering upfront large infusions of growth capital for building the evidence base and organizational capacity that are prerequisites for scale and sustainability, co-investors in the True North Fund hope to:

- Demonstrate a more efficient and effective method of organizing private and public capital on behalf of low-income youth; and
- Encourage by example and advocacy fundamental change in how public and private capital is deployed to scale what works.

In the late 1990s, EMCF's new strategy was a daring departure from its established practices. Rather than shift a small portion of its budget to a new grantmaking approach, the Foundation bet everything on one field—youth development—and on one strategy—investing large sums in the plans of a few promising organizations and trusting them to make decisions that would result in important, measurable outcomes. As it redefined its strategy, the Foundation also remade itself in order to become a partner to its grantees as they attempted to deepen the impact and enlarge the scale of their programs.

Beyond the technical features of its reinvention discussed in this paper, grantees have also stressed how the Foundation's culture has contributed to the success of their partnership. Their accounts of the "EMCF way" align strikingly with the core values that the Foundation formally adopted in 2007:

Humility. "We admit when we make mistakes or when our efforts fail. We expect the same from those with whom we work."

Belief in people. "We invest in people because we believe in them and their vision. Grantees know best what they need to do to meet their goals."

Pragmatism. "We strive to set realistic goals for both our grantees and ourselves. We are prepared to shift course when necessary."

Trust. "We trust our grantees and ourselves to carry out the work they and we do and to use the Foundation's resources with integrity, honesty, and with a focus on results. We challenge, but we do not second guess."

High Standards. "We hold ourselves and our grantees to the highest possible standards, and strive for excellence in everything we do."

Based on our work with the Foundation and its grantees over the past 10 years, we believe that the combination of these values and the strategy they animate offers a promising and potentially transformative model for advancing the impact of American philanthropy. Many of the grantees, unprompted, have expressed that view. As one said, "I think in the history of philanthropy, there's an excellent chance this approach will be viewed as very pivotal."

It will only be pivotal, of course, if the Foundation shares its lessons with its peers, a point that grantees have also emphasized. This paper attempts to address that need—not so much to help the Foundation take credit for its grantmaking approach as to share its distinctive features and the accomplishments of the grantees it supports. ■

—Bill Ryan & Barbara Taylor



Youth Villages
North Carolina

Assessing an organization's evidence of effectiveness

EMCF assesses an organization's evaluations and other data to ascertain the quality and rigor of the evidence that its program is having a measurable impact on youth outcomes. We developed this framework to categorize a program's evidence of effectiveness on one of three levels—a continuum from high apparent to proven. This chart defines each level and indicates what an organization should know about its programs. It also specifies the kinds of information an organization must collect, and the types of evaluation activities required, to reach that particular level.

Many youth-serving nonprofits (perhaps even the majority) do not yet meet one of these three levels. Although such programs may benefit youth, these organizations do not yet have systematically collected, empirical evidence that their programs are making an impact on young people's lives. In many cases, they gather basic information and/or have anecdotal evidence of the program's beneficial outcomes even if they do not yet have the resources or capacity to systematically collect and analyze data (*required to meet High Apparent Effectiveness*). An organization's programs may also not be mature enough operationally, or its performance measurement systems insufficiently developed, to evaluate outcomes rigorously.

HIGH APPARENT EFFECTIVENESS

Systematically collected data indicates youth are probably benefiting as intended from participating in a specific program.

A program at this level should be able to answer the following question: Who is accessing your services? What programs do they participate in? What outcomes do they achieve?

Key Characteristics of Data Collection and Evaluation Activities:

- Every program participant is given a unique identifier (such as a tracking or identification number).
- The organization collects basic demographic data from program participants, such as address and contact information, age, gender, race/ethnicity, primary language, and socioeconomic status.
- Initial data about program participants includes baseline data for measuring changes over time (outcomes).
- The outcomes the organization intends for program participants are specified in a theory of change.
- Outcomes are tracked for all program participants (or at least for a sample), and show meaningful, positive results, comparable to the results from similar well-implemented programs.

DEMONSTRATED EFFECTIVENESS

Systematically collected data comparing program participants with similar people not receiving a program's services enables an organization to substantially conclude that youth are benefiting from program.

A program at this level should be able to answer the following question: Are there meaningful, positive, statistically significant outcomes for program participants that differ from outcomes for people in a comparison group?

Key Characteristics of Data Collection and Evaluation Activities:

- A well-designed and well-executed quasi-experimental evaluation of program outcomes, created and conducted by an independent, external evaluator, measures outcomes for program participants against outcomes for a carefully chosen comparison group. People in both groups are at the same baseline on measured characteristics such as demographics and variables relevant to the study, and likely to be similar when it comes to unmeasured characteristics such as motivation at the start of the study.
- This study, also called a comparison group evaluation, concludes there are meaningful, positive, statistically significant differences between outcomes for youth served by the program and outcomes for youth in the comparison group.

PROVEN EFFECTIVENESS

Experimental research has confirmed the program's impact on participants.

A program at this level should be able to answer the following question: Are there meaningful, positive, statistically significant outcomes for program participants that differ from outcomes for people in a randomized control group?

Key Characteristics of Data Collection and Evaluation Activities:

- A well-designed, well-executed experimental evaluation of program outcomes by an independent, external evaluator establishes the most rigorous evidence of effectiveness. Ideally, participants are randomly assigned to one of two groups—one that receives program services and a control group that does not. Outcome data for both groups is collected and compared in this randomized controlled trial.
- The study concludes there are meaningful, positive, statistically significant differences between outcomes for youth served by the program and youth in the control group.
- At the highest level of proven effectiveness, a program has evidence of impact from multiple sites.
- In some circumstances, a well-implemented program proven effective elsewhere, or a third party quasi-experimental evaluation that compares participants to a comparison group not randomly assigned, may represent the highest proof point a program is capable of reaching.

About the authors

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Bill Ryan is a student of and consultant to nonprofit organizations, focusing on organizational effectiveness and governance. He has conducted studies and evaluations on nonprofit capacity-building and high-engagement philanthropy for a number of foundations, and his findings and analysis have appeared in the *Harvard Business Review*, *Nonprofit Quarterly*, and *Stanford Social Innovation Review*.

Through his governance consulting, he has worked with the boards and executive teams of a variety of nonprofits, helping them adopt new mindsets and practices that lead to high-value governing. He is co-author, with Richard P. Chait and Barbara E. Taylor, of *Governance as Leadership: Reframing the Work of Nonprofit Boards* (John Wiley & Sons, 2005).

For ten years, he was a research fellow at the Hauser Center for Nonprofit Organizations at Harvard University, where he now teaches in executive education programs for nonprofit leaders at the Kennedy School, Business School, and Graduate School of Education. Bill holds a BA from Columbia University and a Masters in Public Administration from the Kennedy School of Government at Harvard.

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