

Venturing out to the Leading Edge

In February Trust Waikato brought out Doug Easterling from the United States as a Keynote speaker at the Community Trusts Conference. Trust Waikato were gracious in extending Doug's visit so that Philanthropy NZ members could benefit from his expertise. Rotorua Energy Charitable Trust and the Department of Internal Affairs hosted meetings, which allowed for a greater number of people to participate in his presentations.



Doug Easterling

Responding to pressure from outside critics and an increased sense of possibility from within their own ranks, foundations are striving to become 'Leading Edge' organisations. Michael Porter and Mark Kramer in their 1999 article *Creating Value*, (published in the *Harvard Business Review*) argued that foundations can justify their privileged tax status only if they achieve positive returns on the grant funds that they invest in communities – as opposed to serving simply flow-through organisations that distribute a small fraction of their enormous assets to "worthy causes".

This admonition may cause some status quo foundations to raise their hackles and retreat stating, "Leave us alone. We're doing just fine thank-you."

On the other hand, other foundations have wholeheartedly latched onto the "create value" argument as a licence to do more, to play an active role in making social change happen, and perhaps above all, to exercise the creativity of staff and board members. These foundations are aware that the "business" of philanthropy involves more than simply processing grant applications, holding board meetings and hosting social events where everyone sings the foundation's praises. Instead they recognise that foundations are in a unique position to foster changes that will improve the quality of life of whichever population the foundation or trust is chartered to "serve".

The idea of being at the leading edge is particularly appealing to these foundations that are committed to improving on the status quo. But what does it really mean for a foundation to be at the leading edge?

Where is this place?

What does the leading edge look and feel like?

What concerns the foundation at the leading edge?

How far away is the leading edge from where foundations have traditionally called home?

How does a foundation actually get there?

What types of foundations are actually prepared for a journey to the leading edge?

Where is the leading edge?

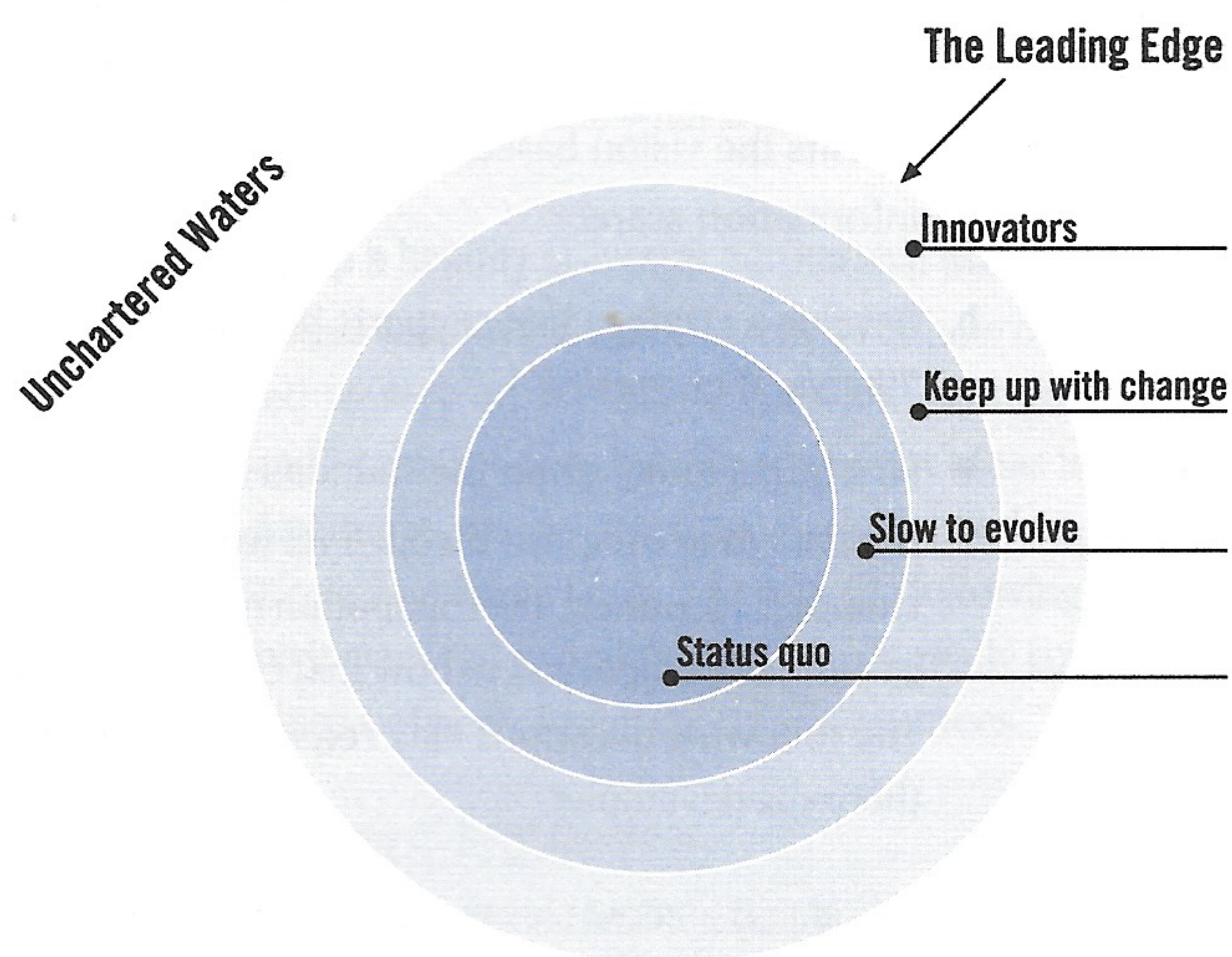
Taking **Figure One: The Innovation Landscape**, at the centre of the map (close to home) are those foundations comfortable with the status quo.

The next ring moving out contains foundations which make modest changes, but only if they are pushed. **They evolve with the times but only slowly.**

Moving out further are those foundations, willing to **keep up with the changing world**, paying attention to emerging trends in the world as well as in the field of philanthropy.

Then there are the **innovators**, those foundations experimenting with new approaches to grant making and new strategies to achieving their mission. They are interested in translating ideas into practices, which will improve their effectiveness as foundations.

Figure 1: The Innovation Landscape



The land of innovators has an inland region and a coastline. The coast is where innovators reach their limits. This is **the leading edge**.

What lies beyond the leading edge? **Uncharted waters**. This is the place of ideas that are still being formulated. This is where the visionaries, radical thinkers, artists and poets reside. This uncharted realm may or may not be a place for foundations and trusts.

When a foundation talks about being "at the leading edge" the issue is the distance on this map it dares to venture. Does it really want to go all the way to the leading edge or is it interested in simply moving from where it is currently sited?

What do leading edge foundations look like?

1. If the leading edge is focused on innovation, then this is a place of discovery. A leading edge foundation spends much time engaged in the process of learning and experimentation, seeking to generate new ideas and activities that will have some impact on the world.
2. Because of the focus on exploration and innovation, leading edge foundations have a culture welcoming change

and surprise, changing course when they find a better way, although not so often that momentum and orientation is lost.

3. Leading edge foundations take risks, knowing that failures are sprinkled in with successes. Successes take the foundations closer to their goals. Failures provide raw material for lessons learned.
4. The leading edge foundation does not worry about the day-to-day ups and downs in its performance, instead defining its identity in terms of the journey it is taking and its long-term record of success.

Why go to the leading edge?

Behind the desire to explore and innovate is an aspiration to be an effective organisation, to add value to the community – beyond the direct value of the money. If they are not conscious of innovation and adding value, they can actually become a drag on the community's ability to move forward. Perhaps they may remain stuck in old structures and paradigms that no longer serve the community.

There is value in moving away from the status quo toward the leading edge. However it does not follow that all foundations should go to the leading edge.

Each foundation must decide for itself where it wants to be in Figure 1. The thought of becoming a "leading edge" foundation brings up issues related to the foundation's mission, values, tolerance for risk, role in the community and image.

What does a Leading Edge Foundation fund?

Intuitively it would seem that most foundations would tend to fund organisations that are close by in terms of their innovation – because the grantees would be more compatible in terms of risk aversion, personality and culture.

However foundations might prefer to fund grantees that are more innovative than the foundation because

- By connecting to innovative grantees, the foundations creates its own laboratory where it can search for promising ideas
- By funding innovative grantees the foundation may siphon off some of the leading edge image that grantees have earned.

It is also important to consider the possibility of the foundation supporting grantees that are less innovative than the foundation. This strategy can add tremendous value by stimulating grantees that are open to change to actually become more proactive in seeking out change.

What will Change When Foundations Head Toward the Leading Edge?

1. Committing to innovation and change may lead the foundation to fund a different set of grantees than it has historically done.
2. Supporting non-profits that are at the leading edge requires a lengthier, more intensive due-diligence process.
3. Being at the leading edge probably requires the foundation to narrow its focus of funding to a smaller number of content areas. It is impossible to be at the leading edge of every frontier simultaneously.

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4. More will be expected of the grantees.
5. Leading edge foundations look beyond grant making to effect change – through perhaps professional development, dissemination of ideas, stories research etc.
6. Being at the leading edge means the foundation is assuming more risk.
7. Being at the edge requires a deliberate, focused agenda.
8. It is an exposed place to be. More people will watch. The foundation assumes a leadership role.

How do Foundations get to the Leading edge?

Developmental stages in the life of a Foundation.

The following stages are common for foundations, which start as grant making organisations and end up as innovators with their own agenda for change.

- a. Based on the deed that launches the trust or foundation, the board decides on a set of areas that it is interested in funding. Grant seekers submit proposals. Foundation staff reviews the proposals, select those that are most "worthy" and, in keeping with the deed and guidelines, submit their recommendations to the board for funding.
- b. The staff and/or Board of the foundation begin to get restless with its role as a reactive grant maker. Someone raises the question, what are we getting for our money?
- c. The foundation undertakes a strategic planning process in order to decide what it wants to become.
- d. The foundation narrows its focus and based on this focus funds a more select set of grantees.
- e. The foundation begins to develop its own ideas about how to achieve the changes it has staked out in its strategic plan.
- f. The foundation establishes its own agenda and links its funding to its objectives.

Moving deliberately to the Leading Edge

As foundations move through these developmental stages there are a number of steps that can be taken to become not just "leading edge" but also effective in facilitating changes that will actually increase the foundation's value to the community.

- a. **Clarify the purpose of the foundation** – Leading edge foundations have to focus, deciding that some outcomes are more important to them than others. They stop worrying about pleasing everyone in the community but become committed to making a difference somewhere.
 - They identify, clarify and commit to the organisational givens;
 - they agree on a vision for the foundation.
 - The foundation gathers information on the

environment within which it wishes to make a difference;

- it considers this information in terms of opportunities and threats that exist in the community; and
- revisits the vision based on the environmental information scans.

b. Develop a strategy that supports the foundation's "theory of change"

- Firstly, deciding, given the foundation's niche, what it wants to accomplish through its work. Once the change is identified, the foundation needs to develop a reasonable theory as to how that change can occur. The following questions may require answers as the theory is developed.

What preconditions would lay the groundwork for change?

Who might need to change?

How do they need to change?

Once the change process is mapped out the next step is to look for strategic leverage points. That is, where could the foundation intervene and make a difference?

c. Use evaluation to assess the effects of the strategy

Foundations use evaluation to answer questions such as the following:

- How well did these grants achieve our expectations?
- How well did they achieve the grantee's expectations?
- What else happened? What were the unexpected consequences?
- How did the grant seeker and others respond to the foundation's inputs?
- Did our theory of change seem to be true in practice?

Once these questions have answers the foundation is in a position to improve its grant making. Evaluation findings can guide the foundation in selecting the programmes and organisations most likely to achieve the foundation's objectives, and can provide more guidance about strategies that the foundation might employ to contribute to whatever change process the foundation is concerned about.

d. Become a learning organisation in order to redefine the strategy

One of the most important characteristics of a learning organisation is a "culture of learning". In other words the works environment, reward structures and leadership reinforce learning on the part of everyone within the foundation. The culture of learning is defined by the following traits:

- Inquisitiveness (seeking out new Knowledge) plus humility (acknowledging what we don't know).
- Need to go beyond seeking out new knowledge to seeking out "new" perspectives and worldviews that could benefit us in meeting our mission

- A non-judgmental stance
- Discernment
- That is the ability to wisely sort through all the information to decide what will work for the foundation.

e. Develop a healthy bi-lateral partnership with grantees

Foundations cannot learn all they need to know on their own. They need to rely on the experience and wisdom of those people and organisations that are trying out ideas in the real world. Assuming the foundation is interested in forming authentic relationships with its grantees, the following are some ideas, which may lead to building honest, mutually constructive relationships between foundations and grantees.

- Spend lots of time together.
- Talk over the constraints faced by each.
- Seek out and respect differences in experience, perspective etc.
- Create long-term commitment to work together.

In many ways these are the same steps that a foundation must go through within itself if they are to get to the right leading edge and continue to find that edge.

Doug Easterling is the founder and director of the Division for Community-based Evaluation, which is housed within the Centre for the Study of Social Issues (CSSI) at the University of North Carolina at Greensboro. The Division assists foundation and non-profit organisations in clarifying programme objectives, identifying evaluation questions and collecting data to answer those questions. He has written and presented extensively on the topics of programme evaluation, strategic grant making and community based health promotion.

Prior to joining CSSI Doug was Director of Research and Evaluation at The Colorado Trust and has held a number of university based research positions. He holds a PhD in Public Policy and Management Doug titled his presentations in New Zealand 'Venturing out to the Leading Edge: What it takes for Foundations to leave home.'

If members wish for more detail or further information on the presentation please e-mail info@philanthropy.org.nz.

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