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# On the Frontlines:

# You Can't Do That!

A venture philanthropist's experience with reforming education

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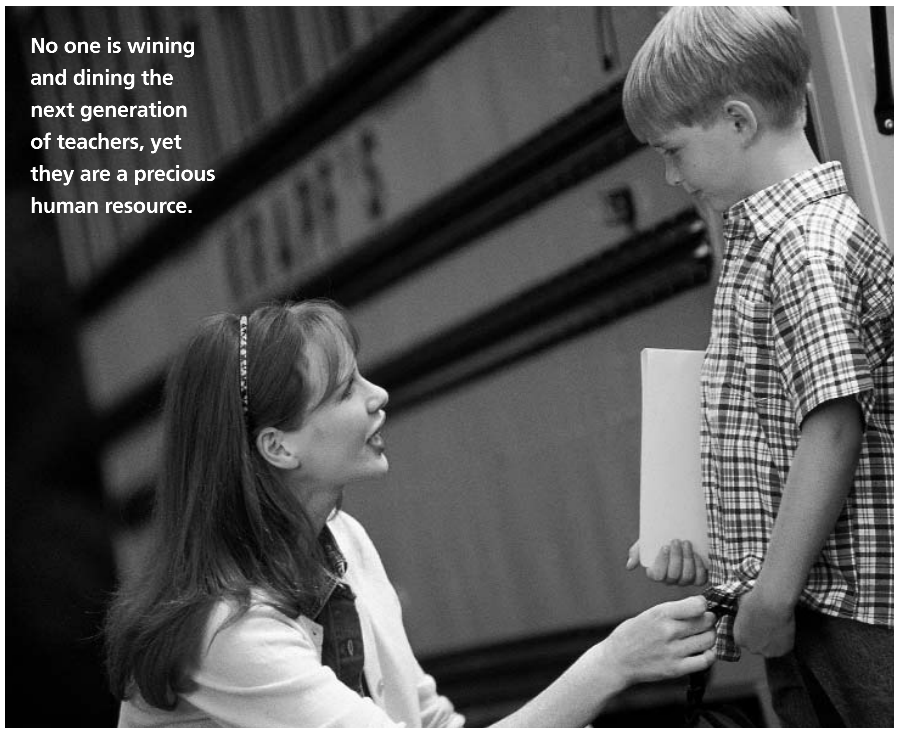
# You Can't Do That!

*A venture philanthropist's experience with reforming education*

Venture philanthropists are often criticized for being too intrusive and hands-on, for pushing nonprofits too hard to perform, and for demanding demonstrable results. Heads of major nonprofit institutions are used to a certain autonomy and don't want to be told what to do by this new type of donor, who seems rather impatient and bossy. Despite these clashes in style and substance, venture philanthropists are here to stay, and we are starting to see some impressive results from our approach.

One place we've wanted to have an impact is in the schools. Like many others, I've long felt that one of the most pressing needs in American education is for more top-notch teachers. At present, however, the essential role of recruiting and training our teachers is left to a thoroughly disorganized and decentralized network of state colleges, where the spirit of entrepreneurs can rarely be found. For example, no one seems to be wining and dining the next generation of elementary school teachers, yet they are as precious a human resource as we have in this society!



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PHOTOGRAPH BY COMSTOCK

Accordingly, a group of like-minded venture philanthropists and I decided to try to attack this problem by launching a new, prestigious fellowship. Our goal was intended to break the mold set by the higher education establishment. Given our orientation, it's probably no surprise that we were impatient with the existing bureaucracies, and disinclined to give to educational institutions with large overheads. Rather, we leaned toward launching our own new, exciting– if much riskier – projects.

We decided the teaching fellowship we wanted to develop would have to emerge into the world full-born, without the baggage of yet another bureaucracy to weigh it down. Plus, those of us who created it had to have an exit strategy; the fellowship would have to be able to live on in the world after our seed role was finished.

The strategy we hit on was the Day School Leadership Through Teaching Fellowship – DeLeT for short – the first national fellowship to recruit high achievers into the profession of teaching by giving them a salary while they took courses at a prestigious university. As part of the program, fellows would also receive training in a nearby urban school system under a great mentor teacher.

Millions of dollars had to be raised in a short time in order to create a curriculum at two universities to attract our new recruits. We decided to pay each of our DeLeT Fellows a $25,000 stipend for the fellowship year, which would be a major chunk of the overall estimated $60,000-$70,000 annual per person cost of the program. In addition, we decided to limit overhead by directing the entire program via the Web, without any physical offices or other types of 'real-world' infrastructure to weigh us down. I expected to launch the fellowship in nine months flat, and to exit in three years, seeing it fully funded – enormously ambitious goals.

We knew we would encounter resistance when we approached the universities about partnering. Many aspects of the vision – from the aggressive launch schedule to the marketing of the program – all came under attack. At the outset, here is what I was told:

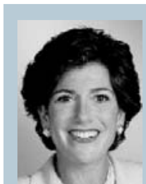
*"You cannot create this in six months. Great fellowships take years to craft and establish."*

*"Who will want to spend $60,000 on educating a young person? They have no idea who they want to be – it's a waste."*

*"How can you direct such an initiative in cyberspace with no brochures? Free viral marketing over the Web can't bring you nearly enough candidates."*

*"Major universities are not going to bring in outsiders to teach classes with their name on the results."*

Fortunately, I had about a dozen venture philanthropists willing to take the risk of investing in a $3 million pilot program to test this crazy idea. Spreading risk is the venture capitalist's classic method of seeding a large number of opportunities, in the hope that a few will take off (with geometric returns), even if the others fail.



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We selected Brandeis University and Hebrew Union College as homes for our pilot project, and we picked 10 elementary schools in Boston and Los Angeles, where the fellows would train under mentor teachers in the classroom. While the universities and the schools were delighted at the prospect of receiving the funds, it quickly became clear that the quintessential problem of high-engagement philanthropy – who controls the money – was going to be the big issue.

Here are some of the responses I got from the universities:

*"We would prefer to create a master's program with your funds."*

*"We need to cover the overhead of our department with your funds."*

*"We need to enroll your fellows in our university, even if only for a year, which costs…"*

You get the picture. So I fought back. As the fiduciary agent for all 12 funders, I insisted that costs had to be kept low. I also insisted that we would need a governing committee to control the use of funds, and that all stakeholders – the universities, the schools, and the donors – would have to be represented.

While they hated giving up exclusive control over the money, the university representatives realized they had to respect our disdain for funding large amounts of overhead. After a month of delicate negotiations, a governing committee composed of funders, heads of major education nonprofits, and the leaders of the program at the two universities was agreed upon.

Ultimately, this governing committee had to find a balance of low overhead; ambitious, hands-on involvement by funders; measurable goals; and outcomes that were agreeable all around. This wouldn't be easy. So who gave up what? The university leadership poured far more hours into designing the program, all as a labor of love. The funders agreed not to ask too many questions as to how the funds were being used, as long as the program was on time and within budget. Everyone gave a little as a part of this early honeymoon period.

After two years of piloting the program with over 150 applicants for the 40 fellowships, the program had begun to demonstrate initial success to all concerned, so I asked the venture philanthropists to come back to the table with a final round of funding. This time the amount would be the same, $3 million, but now our challenge was choosing our exit strategy.

The alternatives were either to create a nonprofit to administer the program, or to hand over the funds (and control) to the universities. A freestanding nonprofit would require substantial ongoing fundraising, an administrative infrastructure, and an open-ended time commitment. The venture funders, including myself, wanted out so that we could move on. Our idea had done well enough that we felt it could live on in some form.

Again, fierce resistance nearly extinguished the program at this second round of funding. This time, my venture partners wanted to hear specifically how the universities were going to use their money. They told me:

*"The universities have enormous endowments. Let's see them pick up the costs in the future."*

*"Why should I give more to this great idea if it's already proven itself? Let the low-risk takers, like foundations, take over funding it."*

I decided to ask the universities to match the $3 million in our second round of financing, creating an incentive for them to begin taking it over, and ultimately commit to funding it long-term.

I learned a little lesson at this point: When you give money to a university, you get a little thank-you note, and an invitation to a fancy event. When you ask for matching money from the same university, the president of the institution gets involved in the negotiations. He or she wants to protect the endowments! The issue of control was reaching its climax. At a dramatic dinner in San Francisco, the president of Brandeis University passionately implored: "We are worthy of your trust. Give us your funds now, and we will work with you to make this program the best it can be. Guarantees of future matching funds are never easy for us, but we will do the very best we can. Trust us!" I realized this was his final offer. I realized we had to let control fall to the hands of the new "owners" for them to really value it.

And so, we agreed to hand over the funds, split between the two universities in Boston and Los Angeles, and let them run with it, and to let them now "own" it going forward. The agreement was that they would not change a thing for three years while our funds were still in use. This way, they had plenty of "runway" to run the program and fundraise for it in the future before money ran out from the original funders. After that, they would be on their own.

Looking back over this experience, we succeeded in creating value based on leveraging the core competencies of all the players, while avoiding unnecessary expenses. We had an ideal exit – the fellowship will live on, grow, and thrive. The universities had a marvelous partnership with passionate venture philanthropists who ultimately turned over to them the full control they wanted.

Graduates of the DeLeT Fellowship now teach in schools across the country, bringing a new zeal for excellence and a commitment to the profession, and – best of all – the schools are asking for more fellows. It's time, as a venture capitalist would say, to "let the market forces reign!" □