

High Stakes Donor Collaborations

By Willa Seldon, Thomas J. Tierney, & Gihani Fernando

Stanford Social Innovation Review
Spring 2013

Copyright © 2013 by Leland Stanford Jr. University
All Rights Reserved

BY WILLA SELDON,
THOMAS J. TIERNEY,
& GIHANI FERNANDO

High Stakes Donor Collaborations

Pioneering groups of foundations and philanthropists have pooled their talent and resources to help solve social sector problems too big for any one to tackle alone. What can donors learn from these efforts?

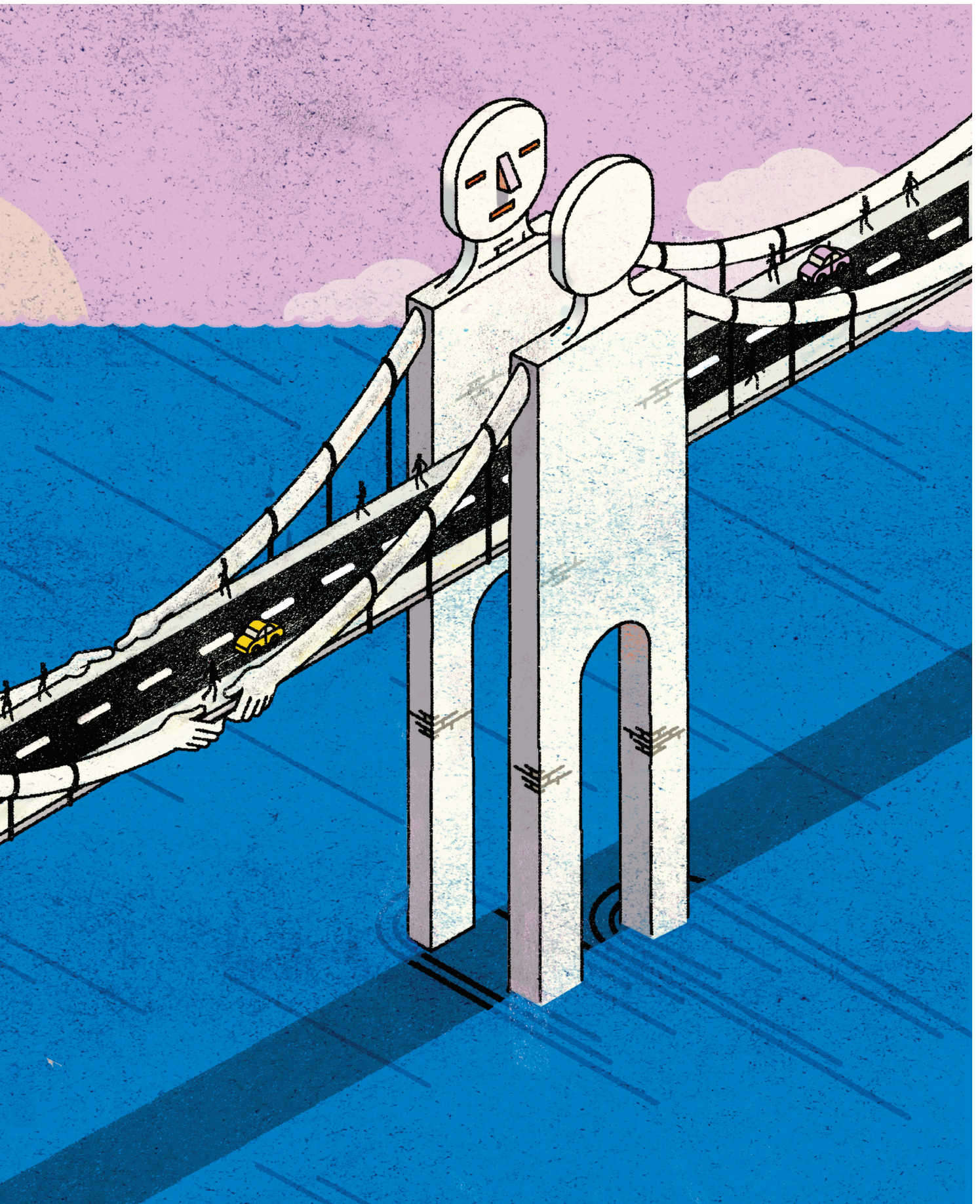
Two years ago, New School researcher Kim Nauer coauthored a critique of New York City Mayor Michael Bloomberg's sweeping public school reforms. First among its recommendations: Stop oversimplifying school quality with a single letter grade such as A or F. "Instead, provide parents with multiple grades on important aspects of each school."¹

In fact, school report cards, based on students' standardized test scores, had emerged as a signature achievement and the most publicly visible measure of the Bloomberg administration's reform effort. Letter grades were meant to deliver complicated accountability information in a user-friendly format. But parents and students found the school report cards confusing and lacking in important information, such as available clubs and sports. And critics like Nauer, education project director at the New School's Center for New York City Affairs, challenged their reliance on questionable state test scores.

Not satisfied with "just complaining" about the report cards, Nauer set her sights on coming up with an alternative. That idea hit the grantmaking sweet spot of the Donors' Education Collaborative, a unique alliance of foundations that pool their financial resources and expertise to champion shared goals for improving the city's public schools.

ILLUSTRATION
BY YAREK WAZUL





With a \$150,000 grant from the collaborative, Nauer spearheaded a research effort culminating in the launch last fall of Inside Stats, an online scorecard designed to provide a well-rounded picture of the city's 475 high schools, including extracurricular activities. "It took us six months to go through all the data and figure out what to do with it," says Nauer. "That's why the Donors' Education Collaborative funding was so important. You can't do projects like this quickly. And no one of the funders at the table would have tackled this alone."

Nauer's long-range goal is to create an online scorecard system that generates school recommendations based on students' answers to a series of questions. Her ambitious effort is just one of many projects funded by the Donors' Education Collaborative since it was founded by five foundation presidents in 1995. Alarmed by the deteriorating quality of city schools, they took the unusual step of banding together to work on common goals. From the beginning, the collaborative's mission has been to nurture research, advocacy, and community organizing around education reform. Supporters note that the organization's \$14 million in grants over the years have helped frame the discussion about education reform in the city, just the kind of systemic impact the collaborative aspired to create.² Yet for all its success, these donors have gone down a collaborative path that relatively few foundations or philanthropists have chosen to follow.

The issue isn't a lack of interest in collaboration. Quite the opposite. At least anecdotally, it's clear that many funders participate in collaborations with like-minded organizations. These efforts take a variety of forms, ranging from sharing information around a conference table to coordinated grantmaking targeted at a specific project.

But few collaborations cross the line that separates the various forms of donor information-sharing and coordination from the type of strategic collaboration practiced by the Donors' Education Collaborative. Building on a common vision for better schools and a strategy for getting there, they have pooled their time, expertise, and financial resources around multiyear goals beyond the reach of any one participant. To manage their joint endeavor, the group of 11 partners opted for joint decision making, with one vote for each participant. The glue that holds all this together is the belief that unified action yields greater results. Funders whose collective efforts meet these criteria—a *shared multiyear vision around which donors pool talent, resources, and decision making*—are examples of what Bridgespan calls "high stakes donor collaboration."

By their nature, high stakes collaboratives place results ahead of organizational or individual recognition. In that context, "high stakes" takes on a dual meaning. For donors, there's a major commitment of time and money, a loss of unilateral decision-making

control, and the assumption of shared reputational risk if something goes wrong—although in some instances donor collaboratives may actually enable some individual players to test strategies and approaches they would not typically pursue on their own. For society, there's the potential that the donors' risky bet will pay big returns.

Bridgespan research shows clearly that high stakes collaborations don't happen often. Foundations and individual philanthropists tend to march to their own drum. But interviews with more than 50 donors and social-sector thought leaders yielded a nearly unanimous view that more donor-to-donor collaboration would benefit society. When well executed, high stakes collaborations magnify the sum of each partner's contributions and produce results beyond the reach of any single donor. Our research identified more than a dozen such collaborations, touching on issues ranging from educational reforms and revitalizing poor neighborhoods to advancing energy conservation and preserving marine habitats. Most were initiated by foundation leaders personally committed to making the collaboration work. Individual philanthropists participate less frequently, but the small number who have ventured into high stakes collaborations show that they can work even for those who are new at philanthropy.

The high stakes collaboratives identified by Bridgespan coalesced around three different and sometimes overlapping strategies: accessing expertise, pursuing system-level change, and aggregating growth capital.

Accessing Expertise

Donors often find themselves lacking the expertise needed to engage in effective grantmaking in a new field of interest. Rather than make solo investments in developing specialized knowledge, they may choose to pool resources to develop collective expertise, a course charted by the Energy Foundation.

Launched in 1991, the Energy Foundation is the largest philanthropic funder of nonprofits working on energy efficiency and renewable energy sources. It was started as a joint initiative of three newly appointed foundation presidents, Peter Goldmark of the Rockefeller Foundation, Rebecca Rimel of the Pew Charitable Trusts, and Adele Simmons of the John D. and Catherine T. MacArthur Foundation. At the time, none of the foundations had an energy program.

Recognizing their organizations' limited knowledge in the energy arena, the three foundation presidents hired a recognized authority, Hal Harvey, to help them identify an approach for improving energy development and consumption. After months of research, Harvey and his team developed a business plan to launch the Energy Foundation as a grantmaker and advocate for change in the field. The three founding organizations collectively granted \$100 million for the project over 10 years. Jointly investing in the Energy Foundation allowed the funders to share specialized expertise rather than pursue a similar path on their own.

A decade after the initial investment, a second wave of funders, including the William and Flora Hewlett Foundation, entered the collaborative—in large part persuaded by the expertise and platform that the Energy Foundation had developed. In effect, foundations today can outsource all or parts of their energy programs to the Energy Foundation. As Hewlett Foundation vice president Susan Bell explained, "If we wanted to make a difference on the issue, we

WILLA SELDON is a partner in the Bridgespan Group's San Francisco office, where she is a leader in Bridgespan's work on collaboration in the social sector. She was previously CEO of the Glide Foundation and executive director of the Tides Center.

THOMAS J. TIERNEY is the cofounder and chairman of the Bridgespan Group, a nonprofit advisor and resource for mission-driven organizations and philanthropists. Before founding Bridgespan, Tierney served as managing partner worldwide of Bain & Company from June 1992 to January 2000.

GIHANI FERNANDO is a manager in the Bridgespan Group's San Francisco office where she focuses on education and youth development. Before joining Bridgespan she worked in Citigroup's public finance investment banking division.

would have had to staff up to do that, and the Energy Foundation allowed us not to. They served as our program staff and could navigate among existing organizations that needed funding.”

The Energy Foundation has grown in size, financial clout, and ambition over two decades. Working through grantees, it has had significant impact on promoting adoption of state and federal vehicle efficiency standards, more stringent residential and commercial building codes to reduce energy consumption, and development of renewable energy technology. It makes similar grants to nonprofits campaigning to influence energy and transportation policy in China. In 2011 alone, the Energy Foundation made 592 grants to 347 groups, totaling \$76.2 million. Through the years, its world-class expertise has remained a powerful motivation for funders to join and stay in the collaborative.

Collaboration also can appeal to new philanthropists who seek to learn from partners with established reputations in a specialized field. Oceans 5 is a recent example of donors coming together to pool their collective assets (funding, knowledge, networks, and influence) and support NGO collaborations. Launched in early 2011, Oceans 5 is a global funders collaborative dedicated to expanding marine reserves and reducing over-fishing. For its first project, the group has supported the creation of the Antarctic Ocean Alliance, a coalition of environmental and conservation organizations campaigning to ban fishing and development in 19 areas around Antarctica to create the world’s largest marine reserve. The group also supports other NGO collaborations, including the Seafood Traceability Project, which aims to combat illegal fishing with new global tracking standards, and the Shark Conservation Project, which seeks to secure international trade restrictions for five species of endangered sharks.

A big advantage Oceans 5 provides to newer marine funders is the ability to learn from the more experienced members, such as Oak Foundation chairman Kristian Parker. In fact, Parker and Oceans 5 board member Tracey Durning initially came together for this reason. “Oceans 5 was an opportunity to reach out to less experienced foundations and philanthropists to share what we have learned in our 12-plus years of grantmaking in marine conservation,” says Parker. “We hoped that for foundations that did not intend to hire specialized staff, Oceans 5 would provide a safe, well-informed platform from which to invest their philanthropic time and money.” Durning says the Oceans 5 experience has been invaluable for the Planet Heritage Foundation, where she is chief strategist. “It’s been fantastic to watch these philanthropists come together, engage in deep dialogue around projects, and become far more strategic in their giving, especially under the leadership of a very experienced, and shared, project director. And for most of us, collective giving allows for supporting much bigger projects and investments than we could do on our own.”

Each of the group’s five partners commits at least \$1 million annually for a minimum of three years. Members commit at least \$200,000 a year, a way for new funders to get involved and learn about marine conservation. The Oceans 5 board meets a few times a year, giving program director Chuck Fox, a marine conservationist with several decades of experience, an opportunity to review investment opportunities and present recommendations. For board

member Addison Fischer, cofounder of Planet Heritage Foundation, the shared knowledge around the table and collective funding is critical to the success of the group. “As a smaller foundation with no ocean-specific expertise, we would not have been able to do this nearly as effectively on our own.”

System-Level Change

Donors also join together to achieve system-level rather than incremental change, taking advantage of their reputations, networks, expertise, and financial resources to advance their common goals. Frustrated by the limited success of individual school reforms, the Donors’ Education Collaborative set out to reform an entire school system. Similarly, California Forward has set its sights on transforming how state and local government works.

In 2008, the presidents of five California foundations created California Forward out of frustration with the state’s increasingly dysfunctional government. It’s a broad-based, bipartisan effort to bring about changes in local and statewide governance. The collaborative’s founders included the California Endowment, Evelyn and Walter Haas Jr. Fund, Hewlett Foundation, James Irvine Foundation, and David and Lucile Packard Foundation. Leaders of these foundations shared a view: that the challenges facing the state were bigger than the individual programs each had been funding. They resolved to work collectively to reform state and local government systems viewed by many as out-of-date and out-of-touch with the citizens they served.

To advance its bipartisan agenda, California Forward created a leadership council to direct day-to-day operations and picked a Democrat and a Republican as co-chairs. Leaders of the five foundations marshaled their extensive networks and influence to attract a diverse set of people to join the council, resulting in support from an unprecedented diversity of business, labor, faith, and community organizations.

In its first three years, California Forward distributed grants totaling nearly \$16 million to nonprofit advocacy groups. Through their collective efforts, the collaborative has contributed to restructuring the state redistricting and primary election systems and advancing state budget reforms. But its sweeping plan to overhaul state budget rules, Proposition 31, drew criticism from the state Democratic Party, unions, environmental groups, and Tea Party activists. Voters rejected it on November 6, 2012, by 60.6 percent to 39.4 percent.

With more work to be done, the five participating foundations have pledged another \$15 million for grants through 2015. “The foundations continue to believe that without systemic improvements in state governance, progress in the areas they care about—whether it’s education, health care, environment, or another issue—will be harder to achieve,” says Jim Mayer, California Forward’s executive director.³

Aggregating Capital

Whereas all the examples we’ve cited call for foundations to contribute capital as a means to achieve a common end, some collaborations are established primarily to pool large sums of money. This approach may be particularly needed when the mission requires funding activities in multiple locations over an extended period of time, as is true for the Growth Capital Aggregation Pilot and Living

Cities. In these cases, the logic of scaling impact makes the need for high stakes collaboration especially compelling.

In 2007, the Edna McConnell Clark Foundation launched the Growth Capital Aggregation Pilot to raise \$120 million to support the five-year plans of three of Clark's promising grantees: Citizen Schools, Nurse-Family Partnership, and Youth Villages. All three had solid track records and were poised for expansion, but the amount of money needed to finance their expansion plans was beyond what the Clark Foundation could provide.

From its own experience, the foundation observed that even successful nonprofits were uncertain about the amounts and timing of investments in their efforts. "What we found was that money would dribble in, hindering the nonprofits' performance by not allowing grantees to engage in longer-term planning or focus on execution," says Nancy Roob, the foundation's president and CEO. So the question arose, "Could we take a more aggressive position and roll up our sleeves with the grantees to make sure the money was in place?"

To launch the effort, Clark made a commitment of \$39 million, and within nine months the foundation secured another \$81 million from 19 additional foundations and individuals. Participants selected which of the designated grantees to support. All donors got a seat at the table to review grantees' performance and progress.

When the pilot began, the three grantees served an estimated 27,000 young people in more than 150 locations in 27 states and the District of Columbia. In the midst of one of the worst economic recessions in memory, by 2011 they collectively grew to serve more than 51,000 young people in 42 states, an aggregate increase of 69 percent, and each organization was better positioned to attain long-term financial sustainability. "The thing that held the partnership together is a shared vision and commitment to deliver growth capital to nonprofits in a more efficient and productive way," says Roob. Whether the pilot proves successful remains to be seen, but one thing is certain, "Our grantees seem to be greatly benefiting from this funding model."

Living Cities got its start in 1991 when Rockefeller Foundation president Peter Goldmark spearheaded creation of a \$62.5 million fund to make grants and loans for community development projects across the United States. A persuasive advocate, Goldmark recruited five foundations and a for-profit insurance company to join the collaborative, which called itself the National Community Development Initiative before adopting the shorter and more memorable name, Living Cities, a decade later. "They were attacking a long-term, complex problem that they knew was way bigger than any one of them could handle on their own," recalls Ben Hecht, Living Cities' president and CEO.

By pooling their financial resources, the group channeled up-front capital into high risk projects, such as low-income housing, where it was involved in all phases of the process—land acquisition, predevelopment, and construction. The collaborative's sizable capital pool fueled a collective optimism about achieving larger-scale results—optimism that proved well founded.

Over its first decade, the collaborative invested \$250 million in redevelopment projects in more than two dozen cities. Most of the money went to bricks and mortar—thousands of housing units plus large commercial and industrial buildings. The collaborative had

grown to 15 partners. Looking ahead, the group resolved to continue, but with a name change to Living Cities, reflecting an interest in projects beyond physical redevelopment. The group formalized that shift in mission by declaring a commitment to comprehensive community development, including health, education, workforce development, and family support. The shift opened "a broader conversation to see if we could develop a new model for pooled investments" that moved beyond traditional community development work, recalls Rip Rapson, president and CEO of the Kresge Foundation, one of the partners. That shift in strategy demonstrates a critical attribute of successful high stakes collaborations: a willingness to engage in an adaptive process that incorporates learning and makes adjustments over time.

Today, two decades later, Living Cities remains an innovative high stakes donor collaborative, with 22 participating foundations and financial institutions. The group has invested almost \$1 billion in urban revitalization, not only building homes, stores, schools, and community facilities, but also shaping federal funding programs and redirecting public and private resources. And, Hecht says, it has catalyzed almost \$16 billion of urban investment. "Instead of trying to work around long-broken public systems, such as education, workforce development, and transportation, we are helping to re-engineer them for the 21st century," says Hecht.

Why Aren't There More High Stakes Collaboratives?

If high stakes collaboratives are such a good idea, why aren't there more of them? Our research revealed multiple reasons. In most circumstances, the magnitude of the problem and the resources needed to tackle it don't justify a high stakes collaboration. This approach rightly comes into play "when the problem is so big that isolated action is not enough," says Peter Frumkin, professor of social policy at the University of Pennsylvania. That's a high bar, but one every high stakes collaborative participant we interviewed agreed with. So before joining, ask yourself these questions: What is my goal? Do I need to collaborate to succeed? What am I willing to invest in time and money? How do I achieve results?

It is easy to skip these steps, but all donors should answer these questions before pursuing any form of collaboration. Indeed, collaboration done poorly can do more harm than good. Ineffective collaborations take time and energy that could have been put to better use; they can divert large sums of money into backing poorly thought out strategies or weak organizations; and they can squelch innovation if donors compromise their beliefs.

Even when the circumstances are right, donors have to confront a fundamental truth about how the social sector works before they join a collaborative. All philanthropy is personal—motivations behind giving are rooted in individual experiences and beliefs. Donors derive great personal satisfaction, and often public praise, for their work. Even at foundations, the personal views of the founders and professional staff continue to steer grantmaking. Within this context, collaboration doesn't come naturally, says Joel Fleishman, professor of law and public policy at Duke University. Moreover, "incentives for collaboration don't exist in the social sector."

"The big problem to overcome is that foundation boards and staffs are naturally reluctant to let go of the money and the decision

making,” Fleishman says. “There’s territoriality, reinforced by the emphasis on strategy,” which may conflict with the strategy of prospective collaborative partners.

Compounding this natural reluctance to collaborate is the fear of not getting credit. “The only thing that foundations compete on is ego, and there’s a huge amount of that,” says Paul Brest, former president and CEO of the Hewlett Foundation. “If we need to do it my way, and I need the credit, then forget it. It can’t work.”

Getting past these hurdles leads to another: the collaborative’s day-to-day operations. “It’s surprising and sobering how hard it is,” says Roob. The complexity of blending and channeling the collective will of multiple partners should not be underestimated, she advises.

Addison Fischer, an Oceans 5 board member, concedes that high stakes collaboration requires extra effort, but he says it pays off. “From a time and effort perspective, sure, it is more work to approach philanthropy in this collaborative way. But it is definitely worth it when you get it right, because the sum is so much greater than the parts.”

Advice from the Front Lines

Coming to grips with fundamental strategy questions is all the more important in high stakes donor collaboratives because of the out-sized amount of time, effort, and resources these endeavors require to succeed. From our interviews with collaborative participants and leading academics, we have distilled a handful of pragmatic insights into what makes these collaboratives work.

Productive personal relationships are critical | More often than not, members have preexisting relationships. “One of the strongest reasons people have come to the table is that they want to be sitting with the other people at the table,” says Norma Rollins, a consultant with Donors’ Education Collaborative. In other instances, members join to establish new relationships with respected peers.

Principals need to be at the table | Typically, foundation CEOs with previous working relationships set high stakes collaboratives in motion. In time, some CEOs step aside, but they are replaced by senior-level foundation staff empowered to make decisions. “It’s important to have the right people with the right authority at the table,” says Patty Stonesifer, vice chair of the Smithsonian’s Board of Regents and former CEO of the Bill and Melinda Gates Foundation.

Have clear structure and process | Grantmaking cycles, typically set at three- or five-year intervals, are a feature of all the collaboratives we researched. The cycles create break points for evaluation and planning for future activities. Funders meet two to four times a year and make decisions democratically. (Whatever the structure, clear decision-making is critical.) But that doesn’t mean that some members are not more equal than others. “Partnerships that work best tend to have clarity about leadership; not everyone has to be the expert,” says Roob. In addition, streamlining the work for grantees creates important efficiencies. When it comes to assessing grantees’ progress, it’s important to have a single report shared among all the partners. “You can’t make grantees do separate reports for each funder,” says Brest.

Everyone needs to be flexible | Long-running collaborations like Living Cities, the Donors’ Education Collaborative, and the Energy Foundation have repeatedly demonstrated the ability to adapt to lessons learned and to changing circumstances and expectations.

“Five years ago, we [Energy Foundation] focused on state energy policy, with California in the lead,” says Tom Steinbach, environmental program director for the Hewlett Foundation. “Three years ago, we shifted focus to national and federal level efforts. Now we’re shifting back again to the state level. With each shift, there’s been a thoughtful conversation about why those transitions have been relevant.”

Be wary of playing it too safe | Assembling a high-powered group around a table may not be the best approach to developing innovative social-sector solutions, warns Frumkin. “I’m not sure it proves to be a sure-fire method for generating higher impact or better results. What happens typically is that funders move toward a meaningless center because they have to agree on things. Far from enhancing strategy and impact, the collaborative moves people to the soft center, and the risky, controversial ideas fall by the wayside.”

Plan an exit strategy | Collaboratives should expect that in time some funders may decide to leave the group. Hence the need to clarify up front what time frames funders are committing to and how they can exit with minimal friction. Some groups set mileposts when they reflect on results that have been achieved and agree on whether and how to move forward. Exits at such points are least disruptive.

Promise v. Practice: Now What?

The promise of high stakes donor collaboration is simple and alluring. At a time when many of society’s problems are too big to tackle alone and with limited resources, donors can accomplish more together than apart. That togetherness offers donors an opportunity to accelerate and multiply the change they want to see in the world. The long-running collaboratives we identified testify to this effect. And the new collaboratives we evaluated show signs of doing the same.

With that promise come caveats. Our research finds that high stakes collaboration is unusual. This is not surprising, given that philanthropy is extremely personal, and donors—individuals and foundations—have an inherent tendency to fly solo. Even champions of the idea acknowledge that high stakes donor collaboration is difficult to do well, especially over many years.

The implication for donors is clear. Before proceeding solo in pursuit of a philanthropic ambition, pause and carefully reflect upon two essential questions: In this situation, is high stakes donor collaboration strategically desirable? And if so, how do I best proceed? Most of the time, the conclusion will be to press ahead alone. But occasionally there will emerge an innovative and high-potential donor collaboration opportunity—an opportunity that will yield disproportionate returns for the communities and causes you care about. ■

The authors thank their research team—Susan Wolf Ditkoff, Alison Powell, and Alicia Rodriguez—and editor Roger Thompson.

Notes

- 1 Clara Hemphill and Kim Nauer, “Managing by the Numbers: Empowerment and Accountability in New York City’s Schools,” Center for New York City Public Affairs/The New School, June 16, 2010.
- 2 Anne MacKinnon, “Working Together to Achieve Greater Impact: The Donors’ Education Collaborative of New York City,” Grantmakers for Education, April 2006.
- 3 “A Conversation with Jim Mayer, California Forward’s Executive Director,” *Irvine Quarterly*, Winter 2011.