Stanford SOCIAL INNOVATION REVIEW

When the Big Bet Fails

By Suzie Boss

Stanford Social Innovation Review
Fall 2011

When the Big Bet Fails

The Northwest Area Foundation learns—and shares—hard lessons from a 10-year initiative

BY SUZIE BOSS

When Karl Stauber interviewed for the president's job of the Northwest Area Foundation (NWAF), he didn't equivocate about his views on philanthropy. "Feel good" grantmaking, he cautioned, may make for friendly chatter at cocktail parties but creates little lasting change. "If the foundation were genuinely interested in making a difference, I told the board members that they would need to know—and be comfortable with the fact—that they were going to make people angry," he recounts in *Wit and Wisdom: Unleashing the Philanthropic Imagination*.

Under Stauber's direction, the St. Paul, Minn.-based foundation pursued a 10-year $200 million plan to reduce poverty across eight states. By partnering with those most affected by poverty—on tribal reservations, in struggling rural areas, and among the urban poor—the foundation hoped to generate high-impact solutions.

Before the decade was up, NWAF would be threatened with a lawsuit in one community, suffer stinging public criticism from a Native American organization, and endure staff churn and board dissension. Although there were some notable successes, by 2008 the foundation was ready for a new course and president.

Today the NWAF "has returned to its roots as a more traditional grantmaking organization," says President Kevin Walker. It no longer invests in getting new organizations off the ground, focusing instead on grantees with proven track records. Ten-year investments have been replaced with more traditional three-year grant cycles. Yet despite these and other changes in board governance, the foundation has not given up on its long-term vision.

"They haven't thrown the baby out with the bathwater," says Carol Lewis, CEO of Philanthropy Northwest. "They are sticking with their commitment to poverty reduction, even when it's hard."

Instead of quietly closing this chapter, the foundation has bravely gone public with lessons learned. "If you're trying to blaze a new trail, you have an obligation to turn to your peers and say, 'Here's what we think we found,'" says Walker. *Gaining Perspective: Lessons Learned from One Foundation's Exploratory Decade,* a report prepared by FSG Social Impact Consultants, delivers a frank assessment: risky investments in untested programs, bold vision but fuzzy strategies, and a board often unaware of what was happening in the field.

The foundation's willingness to learn from missteps has earned it the respect of fellow philanthropists and former critics. "What's amazing about this story is that they totally addressed the issues," says Nichole Maher, director of an urban Native American organization whose protracted relationship with the foundation proved "catastrophic." She adds: "I've seen philanthropic institutions make mistakes and not hold themselves accountable. What they've done, in such a short time, is truly admirable."

PARTNERSHIPS AND PITFALLS

The farm crisis of the late 1970s hit hard in Miner County, S.D. High school teacher Randy Parry watched bright young people exit in droves, leaving behind an elderly population and dwindling revenues. "We knew we had a problem," Parry says with Midwestern understatement. By the mid-1990s, concerned citizens began meeting. Youth were put in charge of visioning sessions that attracted business owners, farmers, ministers, and others. "We knocked down the walls of the school and brought people together to identify issues and possible solutions," Parry says.

Those conversations caught the attention of NWAF, which was looking for communities for its new Ventures program. The foundation's cornerstone antipoverty program would eventually award $150 million in 10-year partnerships. Stauber describes the approach as "single outcome, not single focus. Communities were given great latitude in deciding how they wanted to reduce poverty."

Nichole Maher, executive director of a Native American nonprofit, called NWAF's grant proposal process "disastrous."

PHOTOGRAPH COURTESY OF NORTHWEST AREA FOUNDATION

Suzie Boss is a journalist from Portland, Ore., who writes about social change and education. She contributes to *Edutopia* and is co-author of *Reinventing Project-Based Learning.*

In 2001, Miner County became the first NWAF Venture site. Securing $5.8 million for a decade meant going through a lengthy strategic planning process and establishing a new regional nonprofit, which Parry left a 30-year teaching career to direct. "We were the guinea pig," he says, but their initiative proved catalytic for the region. Foundation dollars attracted millions more for industry, housing, and community improvements such as a landmark Rural Learning Center and clean-energy demonstration site.

That first success proved hard to repeat. Some factors are clear in hindsight, says Parry, such as having a consistent program officer "who became like an adopted daughter here." More critical, Parry suspects, was the community engagement that preceded the foundation's involvement. "We were already on a path to change. This was truly our plan." Elsewhere, outside consultants were brought in to help communities through the exploration phase with NWAF. "They'd call us and ask, 'Who did your plan?'" Parry recalls. "I'd say: 'We did. It took 341 meetings.' Well, they didn't want to hear that."

Stauber, now president of Danville Regional Foundation in Virginia, sums up the key to success as "readiness. Ten years is a very short time for communities to become ready and to reduce poverty. You can't buy readiness."

FROM COLLABORATION TO CONFLICT

Portland, Ore., with a Native American population of 50,000, was one of four cities that collaborated on a proposal for an Urban Indian Community (UIC) Venture. Maher, executive director of the Native American Youth & Family Center (NAYA), recalls steady turnover and shifting messages from the foundation during the exploration phase. "We went through six staff in the first six months, a dozen in two years, tons of consultants. There were no templates or guidelines." Instead, she recalls submitting drafts that her team had labored over "and being told no, that's wrong. You're not following best practice. We felt belittled." Agreeing on a definition of "poverty"—a word that Native Americans don't limit to dollars-and-cents metrics—revealed the cultural gap between funder and grantees.

The planning team persisted for two years, Maher says, "because it was such an opportunity to do something significant for our community." But the tantalizing pot of gold remained out of reach—exactly as elders had warned might happen. An initial proposal of $20 million for four cities shrank to $14 million for 30-plus cities. Then in 2006, the foundation denied the UIC's plan altogether.

Maher went public with her frustration, speaking out on behalf of all four cities. In a lengthy point-counterpoint with Stauber in *Responsive Philanthropy*, she called the proposal process "disastrous," accusing the foundation of cultural incompetence bordering on institutional racism.

More conflict erupted in Yakima, Wash., where a local resident threatened a lawsuit (eventually withdrawn) when two years of exploration ended in a turndown from NWAF.

Clearly, launching new partnerships proved harder than the foundation expected. Looking back, Stauber can see that each site needed "a backbone organization, a competent local partnership with adequate capacity and sufficient standing in the community to play a critical leadership role. NWAF had few of these partners."

Power dynamics between funder and grantees also proved tricky. "We helped to stand up new organizations in hopes that they would bring all voices to the table. But did they have community credibility or were they the creation of an out-of-town funder? There was ambiguity at best," Walker says.

AVOID BOLD VISIONS WITH FUZZY STRATEGIES

Don't invest in untested programs

Build knowledgeable staff and strong partnerships

Listen to constituents

Gaining Perspective blames implementation challenges on a combination of ambitious goals and ill-defined strategies: "Foundation board and staff agreed on a broad definition of the 'what' (the foundation's mission of reducing poverty), but did not come to agreement on the 'how.'" Unclear expectations left staff in a position of "shooting darts at a moving target."

BRIGHT SPOTS, FRESH STARTS

When Walker arrived as NWAF president in 2008, he found a board "ready to do things differently." The board changed its governance structure, for example, to keep members better informed about programs and more engaged with staff.

What didn't change was the goal of reducing poverty. To that end, NWAF has adopted three key programming strategies: expand assets and wealth for low-income people; build leadership and organizational capacity; and seek better public policy solutions. The foundation that once took a go-it-alone approach to funding novel programs is now open to public and private collaboration, Walker adds.

NWAF also has committed itself to becoming "a better listener," says Walker. "We want to organize our work around questions rather than around answers. We're trying to listen carefully to people in low-income communities and help them figure out their agenda for making change." The foundation is working especially hard to do better with Native American communities, who receive a third of NWAF grants. Nationally, less than a fraction of 1 percent of philanthropic dollars reach Native Americans.

Cheyenne River Sioux Tribal Ventures in South Dakota was the last site awarded funding under the NWAF Ventures program. The reservation has benefited from lessons the foundation learned in other communities, says Eileen Briggs, the project's executive director. "Indian country is a small world," she says. "We'd heard the stories." Briggs credits NWAF support for empowering her tribe "to try out our most creative ideas and do the best work we could do." When she read the criticism of NWAF in *Gaining Perspective*, she thought: "Is this the same organization we've been dealing with? It doesn't describe our experience."

Last year, Walker and others from NWAF attended a powwow at the new 10-acre site of NAYA in Portland. It was purchased with help from NWAF, which eventually granted $10 million to the four urban Native American programs it previously had turned down. "Everyone in our community knew what had happened and totally embraced them," Maher says. "Our relationship has been transformed. One of the hardest challenges we ever faced has turned into one of the most positive for our community. This process helped us gain our voice." ■