# FUNDING PERFORMANCE

## How Donors Can Do More Good

**November 2016**

**leapambassadors.org**

THE PERFORMANCE IMPERATIVE

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Funders are like fingerprints: No two are exactly the same. Yet all funders have one thing in common: They want their grants to make a difference.

There's another common denominator: All funders—small and large, individual and institutional, local and global—come to realize that making a difference is harder than they thought. Generation after generation, funders rediscover that philanthropist **Andrew Carnegie** was right on the money when he concluded that "it is more difficult to give money away intelligently than to earn it in the first place."

The good news is that there are reliable paths to impact. And you don't need to be the CEO of a huge private foundation to pursue them. They're just as accessible for a program officer at a community foundation as for a family addressing a cause of personal significance. The key is helping good leaders build high-performance organizations capable of delivering meaningful, measurable, sustainable results.

If you're interested in learning more about this high-performance approach, please download "The Performance Imperative: A framework for social-sector excellence" (PI) and take a look at the Performance Imperative Organizational Self-Assessment (PIOSA), both of which are complimentary. We're not aware of any other efforts devoted to nonprofit performance that have engaged so many top leaders as co-creators. The PI and PIOSA were developed collaboratively by the Leap of Reason Ambassadors Community, a group of nonprofit executives, funders, and thought leaders who believe that performance matters and recognize that a funder's impact is inextricably tied to the performance of his or her grantees. For more information about the Leap Ambassadors Community and its members, please visit http://leapambassadors.org.

The PI offers, in plain English, an actionable definition of "high-performance organization" and then lays out in detail the seven organizational disciplines that allow organizations to achieve it—from courageous, adaptive executive and board leadership to a culture that values learning. To borrow from the late author **Stephen Covey**, they are the seven habits of highly effective organizations.

The PIOSA goes one level deeper. For each of the PI's principles, the PIOSA presents one or more specific practices or behaviors that represent manifestations of that principle in action. The Leap Ambassadors built the PIOSA to help nonprofits reflect, move out of their comfort zones, learn, innovate, and improve. It will be just as useful for funders. It's not just another template for assessing grantees. Used creatively, it helps foster open exchanges with grantees, support grantees to pursue high performance, and track their grantees' progress over time.

## HELPING GRANTEES PURSUE HIGH PERFORMANCE

The biggest driver for performance is nonprofit leaders' own internal motivation to make a meaningful difference for the people and causes they serve. When you combine that internal motivation with strong external support, you've got a powerful combination!

Nonprofits can make great progress in the journey toward high performance when they partner with creative funders willing to think big with them and willing to make multi-year investments in helping nonprofit leaders strengthen their management muscle and rigor. At the very least, they need funders who are willing to support an organization's learning and improvement—and are open to learning and improving themselves.

While these approaches are far from standard practice, they are gaining traction among influential foundations. For example, in the spring of 2016 an impressive group of individuals and foundations unveiled Blue Meridian Partners, a new funding collaborative that will provide the largest-ever infusions of private capital (at least $1 billion) to high-performance nonprofits serving children and youth. Blue Meridian Partners' investments are explicitly designed to encourage and support high performance. They will be long-term (5-10 years), unrestricted, large investments that give leaders the flexibility to focus on all seven pillars of performance.

Blue Meridian Partners isn't starting from scratch. It is building upon the pioneering work of the Edna McConnell Clark Foundation (EMCF), which has spent the past decade and a half learning what it takes to support high performance. "We know our success is dependent upon our grantees' success," says EMCF President and CEO **Nancy Roob**. "It's crucial we provide the resources necessary for them to become high-performing organizations."

## USING THE PI TO ADVANCE GRANTEES' PERFORMANCE

The Einhorn Family Charitable Trust (EFCT) is 10 years old, has young donors (**David and Cheryl Einhorn** are in their 40s), a small staff, and no endowment. It, too, has embraced the value of supporting high performance. And it has done so by taking the PI and running with it.

Executive Director **Jennifer Hoos Rothberg** and her team have recalibrated all their core tools and processes to align directly with the PI's seven pillars. EFCT's existing tools were strong, but the PI offered several advantages. The EFCT team loved the PI's strong emphasis on people, culture, and learning. They appreciated the specificity of each pillar. And, most valuable of all, the PI was not hatched by a single funder but

instead reflected the collective insights and imprimatur of a diverse, respected group of nonprofit leaders. "We're using the PI because it's smart, clear, and reflects the kind of growth mindset that we preach and always try to practice," says Hoos Rothberg. "I love that we can say to potential and active grantees, 'We didn't invent this. These aren't just things that we alone care about. These pillars and practices are the compilation of the best thinking of top leaders across our field, from not-for-profits to philanthropy.'"

Here are some key ways EFCT is putting the PI to use:

- **Supporting Grant Decisions**: EFCT has recast its "Partnership Criteria" to align with the PI's seven pillars. The criteria explain EFCT's baseline expectations on performance, pillar by pillar, for an organization to be considered for a large (from $1 million to $20 million), unrestricted, multi-year grant. EFCT wants to get a clear sense of whether an organization is truly ready for a big infusion of capital. And if not, EFCT staff use the criteria to determine if there is a more targeted investment they could make to help the partner get on track for a larger, unrestricted grant down the line.

- **Helping Potential and Active Grantees Reflect**: EFCT used the PI to create a simple tool to spark introspection. Potential and active grantees highlight in green the elements of each pillar they consider to be strengths and in yellow the elements they consider to be potential areas of growth. Then grantees have a chance to elaborate on what they chose to highlight and what changes will be required to make the improvements they seek. Playworks, a large EFCT grantee, found so much value in the reflection tool that they, in partnership with EFCT, convinced their core growth-capital funders to set aside their separate reporting requirements in favor of one consolidated report based on the PI's pillars. "The PI's pillars provide excellent prompts for reflection," says Playworks President and COO **Elizabeth Cushing**. "It was an aha moment to realize we could align our board, our senior leadership, and our investors with this single tool."

- **Tracking and Supporting Grantees' Progress**: EFCT replaced its organizational-capacity indicators in its own performance-management system with the PI pillars and now regularly assesses all current and potential grantees against the seven pillars. In addition to looking at each partner individually, EFCT rolls up the data to see how the portfolio is performing as a whole across each of the pillars. The Einhorns and their seven-person professional staff have embraced the PI for tracking grantee progress because it offers a clear, simple definition and focuses on ongoing improvement—rather than being a punitive litmus test of "good" and "bad."

It's way too early to know whether these PI-based approaches will result in greater performance on the part of EFCT's grantees. But we know these approaches are improving the nature of EFCT's conversations with grantees and enabling EFCT to more proactively support them in their journey to high performance.

## HOW YOU CAN USE THE PI AND PIOSA

To put the PI and PIOSA to use in your organization, you don't have to be a big foundation like Edna McConnell Clark or reconfigure your grant process the way EFCT has done. There's no need for wholesale changes or biting off all of this at once. Whether you're a program officer or CEO, please consider the following:

- Share the PI and/or PIOSA with the executive director of an organization that applies to you for funds. Then invite a conversation about how the organization is doing on the PI's seven pillars and how it might use your support to build on strengths and address weaknesses.

- Support a grantee who is eager to strengthen a few key elements of the PI (e.g., program quality).

- See if you have one or two longstanding grantees who might like to use the PI and/or PIOSA as the basis for reporting on progress and challenges—for their own benefit as well as yours. And if you find one, don't penalize the organization for honesty! (The Einhorns have on several occasions decided to increase their investments when grantees faced unanticipated challenges and did not hit their progress goals.)

- Over time, use the PI and/or PIOSA to guide your plans for investing more deeply in a subset of your grantees (e.g., shifting to larger grants and/or multi-year grant periods and leveraging your investments with strategic assistance in addressing organizational needs).

- Use the PI and/or PIOSA to help inform how you assess and build your own team. For example, could you add a senior leader with demonstrated experience in building and managing organizations who can be a valued resource for grantees on the journey to high performance?

If you do any of the above—or come up with your own unique ways of putting the PI or PIOSA into action—please let us know so we, too, can learn and improve.

## FOR MORE INFORMATION

To learn more about the PI, PIOSA, and other related offerings from the Leap Ambassadors Community, drop us a line at info@leapambassadors.org. We'd love to hear from you.