RICHARD AND SUSAN SMITH FAMILY FOUNDATION

A Conversation on

Sustaining Rapid Growth In Nonprofits

January 10, 2005

SUMMARY

Participants--Funders

Kathryn Everett	The Lynch Foundation
Julianne Galeaota	Bank of America
Nancy Gardner	Jane's Trust
Adelisa Gonzalez	Mellon New England
Ray Hammond	Bethel AME Church
Blake Jordan	Citizen's Bank
Terry Lane	The Boston Foundation
Melinda Marble	Paul & Phyllis Fireman Foundation
Sasha McDowell	Mellon New England
Judi Mullen	State Street Bank
Kaberi Banerjee Murthy	Jane's Trust
Andy Phillips	Citizen's Bank
Janet Taylor	C.F. Adams Charitable Trust
Jean Whitney	Carl and Ruth Shapiro Family Foundation
Ronny Zinner	Carl and Ruth Shapiro Family Foundation

Participants--Capacity Building Grantees

Gerald Chertavian	Year Up
Marjorie Clapprood	One Family Scholars
Erin Cox	Jumpstart
Michael Danziger	The Steppingstone Foundation
Hubie Jones	Boston Children's Chorus
Muriel Heiberger	Boston Children's Chorus
Matt McCann	Year Up
Earl Martin Phalen	BELL
Chris Piela	BELL
Jennifer Sharkey	One Family Scholars
Rob Waldron	Jumpstart
Jim Wind	BELL

Participants--Smith Family Foundation

Richard Smith—Co-Chairman	Lynne Doblin--Staff
Mrs. Susan Smith—Co-Chairman	David Ford--Staff
Amy Berylson--Trustee	Leona Young--Staff
John Berylson--Trustee	
Debra Knez--Trustee	

Introduction and Background

Richard Smith, Co-Chair of the Smith Family Foundation Board of Trustees, welcomed participants and explained that the purpose of the meeting was to give representatives from six organizations receiving Smith Family Foundation Capacity Building Grants an opportunity to share with funders their experiences in navigating their organizations through periods of rapid growth. A second purpose was to facilitate open dialogue between funders and grantees on how they might best collaborate in growing worthy organizations to scale.

David Ford, Executive Director of the Smith Family Foundation, provided background on the Smith Family Foundation's Capacity Building initiative, now entering its third year. He noted that there were 4 grantees in the first year, 2 were added in the second, and a new round was pending. The grants are typically 3 year, $300,000 grants or 5-year, $1,000,000 grants, depending on the recipient's annual budget size. All funds must be focused on organizational infrastructure or capacity building purposes as opposed to direct program expenses, and the key criteria for selection are exceptional leadership and ambitious plans for service delivery growth. The Foundation envisions adding approximately three new groups a year for the next three years until it has a rotating cycle of about 15 Boston organizations receiving this sort of capacity building support.

Ford explained that shortly after the first round of commitments was made, the Foundation convened the CEOs of these agencies to see if they wished to have a "CEO support group." The CEOs have been meeting ever since, and those of newer grantees have joined, and it has become a forum they use to share information and experiences in support one another's growth.

Ford then invited each of the CEOs to introduce their organizations and report briefly on their growth histories and expectations—with rapid growth being a common thread running through the group.

Capacity Building CEO Panelists

Rob Waldron, President and CEO of Jumpstart (rwaldron@jstart.org, tel. 617-542-5867) explained that his organization was founded on the principle that increased brain development in children results from increased interaction with adults from an early age. Last year, Jumpstart served 8,000 kids nationally by engaging 2,100 college students to read to and tutor preschool children using federal work study funding provided through the AmeriCorps program. The Smith Family Foundation grant is being used to seed an initiative in Boston's Roxbury neighborhood that has the goal of reaching every preschool child in Roxbury that needs Jumpstart's services, a number they estimate to be 350 children. Just getting off the ground, the program is serving 80 children in Roxbury now, and staff hopes to reach the goal of serving 350 children by 2007.

Earl Martin Phalen, CEO of **BELL** (Building Educated Leaders for Life, ephalen@bellnational.org; tel. 617-282-1567 ext. 111), started off by sharing his organization's mission: to increase educational and life opportunities for Black and Latino children from low-income communities. BELL provides after school and summer educational enrichment to approximately 5,000 children in Boston, Washington D.C. and New York City.

With respect to outcomes, Phalen noted that for the third year in a row, 100% of BELL participants moved out of the failing category on standardized tests. Last year 86% ended the year at proficiency, as compared to 20% at the outset. In addition, on average BELL's summer program helped children who would typically otherwise have lost 3 months of skill-building during the summer months to gain instead an average of 7 months worth of reading, writing and math skills.

With respect to its Smith Family grant, BELL used the funds to develop a Business Plan and to put in place the infrastructure it needed to grow, including a restructured board, integrated technology and strong training and evaluation systems. These in turn helped it to find the engine for its growth, which has come largely in the form of government support for supplemental education providers under the No Child Left Behind Act.

Muriel Heiberger, Executive Director of the **Boston Children's Chorus** (mheiberger@bostonchildrenschorus.org , tel. 617-778-2242), explained that her organization was still in the start-up phase, having been launched in 2004 as the dream of Hubie Jones. The Chorus serves urban and suburban children ages 7-15, using music as a tool for social change. The three goals of the Chorus are youth development, community building and social healing. It plans to have served 112 children by the end of this year, and 225 by the end of 2006. Its key tasks at present are program development and fundraising to build and institutionalize its organization.

Michael Danziger, President of the **Steppingstone Foundation** (Danziger@tsf.org; tel. 617-423-6300), explained that the mission of his organization is to prepare inner city schoolchildren to get into and succeed at independent and public exam schools and, ultimately, four-year colleges. He co-founded Steppingstone in 1990, when it identified and assisted 10 sixth graders (all of whom have now graduated from college). It has now grown to around 600 kids annually, and hopes to serve 1000 by 2008. Steppingstone is proud of the fact that none of its scholars has ever dropped out of Boston Latin. The Smith Family Foundation capacity building grant they received helped impose a discipline upon the organization, Danziger said, and sharpened their thinking about outcomes. He noted that one of the major benefits of being a grant recipient has been the non-financial support provided by the Smith Family Foundation, David Ford and the peer group of CEOs.

Gerald Chertavian, Executive Director of **Year Up** (gchertavian@yearup.org, tel. 617-542-1533)**,** introduced his organization by sharing its mission: to provide urban young adults with the guidance and financial support they need to enter professional careers and post-secondary education. It has 150 graduates to date, 85% of whom make at least $14/hour and 50% of whom have gone on to college. Year Up has expanded to 3 sites (2 in Boston and one in Providence) and will serve approximately 210 students this year.

His goal is to serve 700-800 students at 5-6 sites by 2010, expanding by franchising along the lines of Citizen Schools. They target the 18-24 year age group, 95% of participants are people of color, and 95% are the first in their family to go to college. They provide an intensive one-year program to individuals with a high school or GED, including 6 months of training (during which they are paid a stipend and receive free college credit through an arrangement between Year Up and Cambridge College), followed by 6 months of a paid internship with a corporate or agency partner.

Chertavian shared his main challenges in the near term: to expand and diversify the agency's funding base by attracting significant government funding, to capture Year Up's intellectual capital to serve the replication goals, to complete an independent evaluation and to further strengthen Year Up's alumni and career services.

Marjorie Clapprood, Executive Director of the **One Family Scholars** (OFS) program (mclapprood@onefamilyinc.org, tel. 617-482-5620), introduced her organization by summarizing its founding principles-- that family homelessness is unacceptable and that education is the road to self sufficiency. One Family provides college scholarships, personal coaching, leadership training, bridge services to homeless or formerly homeless women, most with children. Just a few years old, One Family now has 65 scholars (with 315 children among them) and expects to have 100 scholars and add a 4th site by June 2005. The numbers rise to 125 scholars and a 5th site by 2006.

Group Discussion

CEO Management Style vs. Growth? David Ford launched the discussion by asking participants to comment on whether the passion and commitment found typically in a founder can sometimes become an impediment to growth. Posed differently, is the founder necessarily the person who can best build financial systems, manage significant numbers of staff and institute the necessary operational policies and procedures, or might some of these growth tasks best be left to others with a different skill set? He noted that BELL had recently brought on a chief operating officer, as many maturing and growing organizations do. Richard Smith added that while dynamic, visionary leadership was a prerequisite for the Smith Family Foundation's capacity building grant awards, it wasn't in and of itself, sufficient for successful management of a growing organization.

Jim Wind, BELL's new COO, introduced himself as a retired industry executive having come from Scholastic Books. He noted that his skill set was very different from that of founder Phalen, and complimentary; he was brought on to provide day-to-day management as Phalen focuses more energy on expansion and getting new sites off the ground. Heiberger noted that nonprofits have a need, but sometimes great difficulty, in borrowing management systems from industry, and that it is difficult to meld successfully the nonprofit culture with corporate culture.

Chertavian noted two things that CEOs can't delegate in his experience: fundraising and developing talent (nurturing leadership in site directors and middle managers).

Staff Diversity: Hubie Jones, Founder of the Boston Children's Chorus, observed that in his experience, if an organization is not diverse at every level, it is not healthy. He asked how the agencies represented were doing on this front. Waldron (Jumpstart) responded that his organization was doing better at the regional director level (3 of 4 are people of color) than at the VP level (1 of 5) and noted that Boston was an especially competitive market for recruiting outstanding people of color. Clapprood similarly noted more diversity at the site coordinator level than management level for her organization (One Family) and indicated that they've created an advisory board focused on increasing diversity on staff. Phalen felt that BELL has an exemplary track record in this regard. Chertavian shared that 40-45% of his staff are people of color, and noted that one of his challenges, given what Year Up does, is getting corporate leaders to buy in to the need for diversity in their staffing and management.

Erin Cox (Jumpstart) noted that nonprofits do better in this regard if they provide a professional pathway and a training ground for people of color within their own organizations. Melinda Marble (Fireman Foundation) observed that people of color should have a competitive advantage for nonprofit management because they have cultural competencies that Caucasians don't have.

The Risks and Benefits of Government Funding: Waldron (Jumpstart) said he'd had his share of both (the risks and benefits): when AmeriCorps was cut drastically 2.5 years ago, Jumpstart used it to its advantage with a major lobbying push and came out ahead. He noted that government, though, like foundations, likes to seed programs rather than sustain them, even when they are wildly successful. Success is actually a problem, he said, because there are no rewards for it in terms of increased or even continued support, rather the opposite. This, in turn, hurts performance. He would like to see foundation practices move on this front, but also notes that government—theoretically the path to scale—isn't going to come through, either, given the current climate of record deficits and wartime spending priorities.

Marble (Fireman Foundation) noted that foundations see themselves through an outdated lens: "We think we're venture capitalists who seed and pilot an idea and then it gets picked up by government—but this will not happen in the near future. There is a huge need for investment in prevention, but there is no dialogue between government and funders on this."

Clapprood (One Family) said that if an agency goes after government funding, it needs to be strong enough to deal with the vagaries that go hand and hand with the political process. Such decisions are not based on ROI, therefore, agencies need a policy arm, need to do advocacy, and foundations need to be willing to pay for it. Richard Smith agreed that public policy is key for social innovation, and argued that the agencies should be pursuing public funds through the political process. He also stated that money spent on evaluation was money well spent as it tends to attract other funding and government attention.

Phalen observed that government funding, under the No Child Left Behind Act, had been the engine of BELL's growth, and allowed it to jump from serving 1,500 children last year to 5,000 this year. There are risks, of course, to this level of dependence, but the subsidy allows them to make a marginal profit, and there is no other way to grow this much this fast.

Ray Hammond (Bethel AME Church) suggested that nonprofits might want to evaluate their involvement with public funds and advocacy work from the basis of whether or not there is a public education component to their efforts. By way of example, Phalen noted that his agency has solicited an independent study that will demonstrate the impact of summer learning opportunities on school success for children from low-income communities. This is an example of a public education opportunity that BELL needs to pursue for the benefit of the children they serve and others like them. Lane (Boston Foundation) observed that public perception does change: witness the shift from "child care," perceived as a private need, to "early childhood education," something most people do want public investment in.

Downsides of Working with Funders? Ford asked the CEOs what drove them crazy about working with funders: Phalen noted two: year-to-year grantmaking, which keeps CEOs chasing dollars rather than building their organizations, and small grants, which have high per unit costs in terms of staff time. On the plus side, he's encouraged by the fact that now foundations are willing to fund operating costs (in the form of capacity building), when it used to be programs only. In other pet peeves, Waldron (Jumpstart) noted that one occasionally finds a disconnect between trustees, program officers and executive directors for the same foundation. This can be confusing and a potential mine field for applicants. Danziger (Steppingstone) noted his reliance on individual donors, which are much more time consuming, but in the end, they may be more likely to stay with an organization and they can represent an educated constituency. Chertavian (Year Up) urged funders to listen better, and to treat grantees as clients rather than supplicants. He'd like them to focus more on outputs than inputs.

Response from Funders: Jean Whitney (Carl and Ruth Shapiro Family Foundation) spoke of the need for more active engagement between funders and grantees, a genuine partnership among the two. Richard Smith shared that his family's non-financial ties with their grantees (sitting on boards, etc.) was something he valued highly. Adelisa Gonzalez (Mellon New England) urged nonprofits to be candid and open with funders about their weaknesses, since funders have information and experiences, as well as funding, to help shore them up. Terry Lane (Boston Foundation) noted that foundation staff do have access to a lot of information and organizational learning across whole fields, and thus they have more responsibility to do advocacy work. Nancy Gardner (Jane's Trust) encouraged funders to be more willing to give unrestricted funding, not just program by program support.

Amy Berylson (Smith Family Foundation) urged nonprofits not to customize their proposals to what foundations will fund, including straying from their mission. Heiberger (Boston Children's Chorus) responded by encouraging funders to be more willing to interpret their mission areas more broadly (e.g. funders that fail to see her agency's mission as youth development, pigeonholing them instead into arts exclusively).

Risks and Benefits of Multi-Site, Geographical Expansion: Wind (BELL) noted that BELL has chosen to retain significant centralized control as it expands to other cities, which he feels makes sense at this stage. The model isn't refined enough yet to become a "franchise" in the conventional sense. Richard Smith noted that the headquarters provides research, training, lobbying, intellectual leadership—all highly valuable commodities to an affiliate, and that the latter should be taxed accordingly. Jennifer Sharkey (One Family) noted that her organization had thus far expanded by piggybacking their sites on existing homeless shelter partners. This avoids reinvention and duplication, and, hopefully, begins to shift some of the shelter resources from temporary housing to prevention.

Waldron (Jumpstart) observed that it's easier to be a great recruiter and an average manager than to be an average recruiter and a great manager. Since coming to Jumpstart, he has reduced staff from 60-45 and increased the pay by 30%, leaving the payroll the same. Having fewer, more experienced staff has implications (for example, they had to accommodate families), but finding, growing and retaining competent mid-level people is the key to growing to scale.

Hubie Jones pointed to a need for clarity about motives when exploring an opportunity to expand to more sites or cities. Rationales include the need to demonstrate success in more than one place, the desire to be a national leader and to impact policy for a targeted group of beneficiaries. Chertavian noted the need to prove that the success is not specific to one leader or place. He added a funding angle too—few national funders will support agencies that don't have multiple sites. Phalen noted Geoffrey Canada's project in Harlem as a counter-example, since it's limited to 36 blocks but has major national funding. Chertavian also mentioned the reverse learning that occurs when you take a model to new sites.

Growth and the Willingness to Take Chances on Clients: Danziger (Steppingstone) felt that he's more likely to take chances on a client now, because the impact of one failure on a larger pool is smaller. Also, they are less likely to make mistakes now because they know what supports they'll need to make the riskiest clients succeed.

As the meeting drew to a close, Richard Smith encouraged the groups to build their boards carefully, with people in a position to make major gifts and solicit them from others they circulate with, to be aggressive about seeking exposure for their accomplishments, and to find a few individuals and foundations to give them major gifts and use these as an example for others to follow. He thanked all of the participants for coming.