Eyes Wide Open

Deciding When to Launch a Community Initiative

A Tool for Community Foundations
Based on Lessons from The Community Foundations Initiative

THE JAMES IRVINE FOUNDATION

Before You Give the Green Light

You're on the staff of a community foundation, and a program officer from a private funder calls. The person bears a tantalizing offer: three years of grant dollars to run a special community initiative on after-school programs. Do you take it?

A group of community members is concerned about problems facing the local economy. They ask your community foundation to take on the issue as a major community project. Do you do it?

If you're like many community foundations, you find it hard to resist such opportunities, and may be inclined to jump at the chance. But what begins as a blessing can quickly become a burden: Staff invests far more time in the initiative than you anticipated. Partners you believed you could count on don't materialize. Funding from a private foundation or local donor ends, and you haven't found sources to sustain the effort. Your board questions why the foundation even embarked on the initiative in the first place.

Many community foundations run into trouble because they run into initiatives — rather than approaching these opportunities with more care and purpose and reflecting on their foundation's readiness and commitment to carry out such efforts. Several community foundation CEOs warn that failing to thoroughly think through an initiative before starting one can significantly jeopardize chances for success.

This report presents a simple tool for community foundations to use in the important due diligence that should come before giving any initiative the green light. The third in a series, the paper comes from the experience and evaluation of The James Irvine Foundation's *Community Foundations Initiative (CFI)*. A seven-year effort begun in 1995, the CFI has supported seven California community foundations seeking to accelerate growth, build capabilities, and generally become more effective philanthropies. Each of these foundations has engaged in community initiatives, and many have developed tools for assessing such opportunities. *Eyes Wide Open* reflects what they learned along the way. It also incorporates many lessons learned by the Santa Barbara Foundation, a community foundation in California that has recently examined its community initiative practices. That examination, conducted by Nancy Berglass, as well as the CFI evaluation, conducted by Public Policy Associates, inform the report.

We define a community initiative as *a strategic effort by a foundation, working in partnership with local nonprofit organizations, to invest significant money and time to address a specific community issue for a limited period of time.* Initiatives differ from typical program areas both in that they are time-bound and focus on local problems limited in scope (e.g., after-school learning), rather

than general areas of need (e.g., youth development). Initiatives can employ all the tools available to community foundations, including making grants, building coalitions, spotlighting important issues on the community agenda, and generally exercising local leadership.

Community initiatives come in many stripes. Foundations that have done them successfully might differ on what they consider to be the key ingredients. But most agree on one thing: the importance of carefully assessing a potential initiative before moving forward. This paper is designed to help inform community foundations as they undergo that assessment process.

Ten Reasons to Look Before You Leap

Community foundations should do careful and comprehensive due diligence before embarking on an initiative. Why? Here are ten reasons.

1. ***There can be more ramifications than might at first meet the eye.*** Initiatives often take on a life of their own, following winding paths, producing unanticipated outcomes and possibly bringing great changes to the community foundations that undertake them. This is not a reason to forego planning. It is a reason to plan carefully and to go in with eyes wide open. The stresses on staff and money, as well as political expectations and crosscurrents, can exert more pressure than is commonly anticipated. "It can be a messy, complicated business to do an initiative," says Chuck Slosser, CEO of the Santa Barbara Foundation. Lance Linares, CEO of the Community Foundation of Santa Cruz County, says that most initiatives have staff and overhead costs that often aren't apparent in the beginning.

2. ***Opportunity costs of initiatives are high.*** The Humboldt Area Foundation wrestles with growing demand for its involvement in seemingly every major community need. It forces questions about each new opportunity: Can we afford to do this (because we cannot do everything)? "When you get involved in an initiative, you're often taking from grant money, as well as personnel and other resources that would otherwise be available for other priorities, even if grant dollars are not used," says CEO Peter Pennekamp. "So you need to decide if it is important enough a commitment to preempt dollars being available competitively." In the past, the foundation had been uncomfortable with these tradeoffs. Now it uses a systematic assessment of potential new initiatives. It helps their board to answer such questions as: Are we being equitable? Are we applying the same standard to ourselves as we do to grantseekers?

3. ***Initiatives can define your community foundation in the public eye.*** Some community foundations have found that constituents began to associate them with their most visible initiative. Many community members believed these foundations were *only* interested in the particular topic addressed by the initiative. To counter this perception, or for other strategic purposes, several community foundations purposefully downplay their visible role behind an initiative. The point is that community foundations must think ahead about an initiative's impact on its public perception, as part of their reputation management.

4. ***You need an exit strategy as you enter.*** Community foundations that fail to plan for sustainability early often end up in a financial crunch. What happens to an initiative when private funding ends? And if a community foundation has staked a lot of its identity and credibility on community initiatives, what happens when they can't be sustained? "An exit strategy is about both money and public perception," says Lance Linares of the Community Foundation of Santa Cruz County. "As you phase out an initiative you have to step down people's expectations." Mike Howe, CEO of the East Bay Community Foundation, says an arts education initiative wasn't able to go to scale because, in spite of good programmatic planning, "we didn't fully see if it was marketable among private and

public funders." According to the Santa Barbara Foundation's Chuck Slosser, "Even when you have all the other ingredients — finances, community support, human resources — you have to do that last step of asking what's going to happen down the road. The exit piece needs to be built in up front."

5. ***Whatever partners you want at the end you should have at the beginning.*** This community organizing principle is the mantra of the Humboldt Area Foundation. "Many foundations like to have a smaller group at the beginning of an initiative," says Humboldt Area Foundation's Peter Pennekamp. "It's easier and more comfortable to have a smaller group — but it almost never works. Initiatives that work have key partners there from the outset." Humboldt uses an assessment tool early on in initiatives to identify the key players that need to participate.

6. ***You need to prepare for the unpredictable.*** Many believe it's impossible to anticipate the possible paths or outcomes of an initiative up front, especially with innovative, high-risk strategies. New possibilities can emerge, new relationships can form, new directions can be taken — none of which might be visible or predictable at the outset. Even if it's unclear whether an initiative might bear fruit, the argument goes, there still might be good reasons for foundations to take it on. At the same time, upfront assessment needs to: determine when an initiative will likely follow more of a discovery than linear process; gauge the foundation's comfort level with such uncertainty; and identify junctures for testing and assessment before going to full scale. Even if you can't always predict outcomes, you need to prepare to watch development of an initiative as closely and carefully as possible.

7. ***Participants need to be on the same page.*** Internal alignment on the initiative strategy and priority is critical. Peter Pennekamp says he recognized this lesson's importance when he got moving on an initiative, only to discover that his board and staff weren't with him. "I got out ahead of the foundation," he says. "Staff didn't get what we were going to do. The board waffled. The problem was we didn't yet have an early planning process in place." Community foundations need the full engagement of board and staff before beginning an initiative, and using a formal checklist to thoroughly assess an initiative from the get-go is a good way to build support.

8. ***It's easier to be opportunistic than strategic.*** Many community foundations are naturally open to new sources of funding that knock on the door. "But sometimes we community foundations are a little too hungry," says Lance Linares of the Community Foundation of Santa Cruz County. "We see ourselves as the philanthropy ambassadors for our communities, and we try to bring money into the community. The danger is you can get a lot of soft money, be taken off your mission, or do things for which you don't have the capacity." Mike Howe of the East Bay Community Foundation cites a public safety initiative his foundation took on as exemplifying a more "opportunistic" approach, established at a time when "we were looking for an opportunity to reinvent ourselves." By contrast, East Bay's Livable Communities Initiative was preceded by three years of research and planning. Both initiatives succeeded, Howe says, but "if we had been as strategic with the safety initiative, we probably could have been more effective. The opportunistic approach may not harvest as many benefits." Careful assessment can help determine if opportunities fit into the community foundation's longer-term strategies.

9. ***The lure of an opportunity today can cloud your vision of tomorrow.*** Santa Barbara Foundation CEO Chuck Slosser says one of its initiatives fell short of the mark because they simply didn't work through all the nuances when it was first proposed to them. "We probably should have passed on it, but we didn't think it through carefully enough," he says. "The lesson is not to take on an opportunity where someone is essentially saying 'you need to buy this now or you'll never get it again.'" According to Peter Pennekamp, when presented with the opportunity to do an exciting initiative, "most people instinctively say 'yes.' But the harder part is exploring what the implications are."

10. ***Your foundation simply might not be ready.*** Some community foundations might not have the right resources, capacity, support, commitment, partners, leadership or strategies to successfully carry out a community initiative. *This paper offers a checklist of questions designed to help community foundations determine their readiness.*
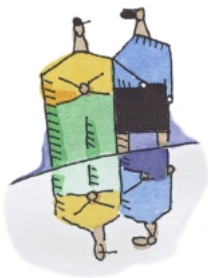
Four CEOs Reflect on Four Ingredients of Initiative Success

On Initiative Leadership
Chuck Slosser, Santa Barbara Foundation

One of the Santa Barbara Foundation's most successful initiatives was the establishment of a community nonprofit support center. Another initiative, an effort to partner with a national foundation on a project to empower citizens to evaluate county government services, fared less well. Among the many factors that influenced the progress of these and other initiatives this foundation has undertaken, Chuck Slosser points to picking the right initiative leader as paramount. In Santa Barbara's case, they've learned that the optimal initiative leader is more community organizer than program administrator, more leader than diplomat. "If you're looking for someone to manage an initiative, and you have a choice between a candidate who has skills at organizing the community and one who is strong at relating to private funders, managing details and writing reports," says Slosser, "we'd choose the organizer, as long as you're willing to assume a role in due diligence and reporting. Because our foundation ends up being a conduit for dollars, we already have people who are good at crossing the T's and dotting the I's. Sometimes we're naturally drawn to those kinds of people, even if community organizers might prove a better choice."

On Initiative Resources
Mike Howe, East Bay Community Foundation

"There are no bright lines or clear roadways guiding you to initiatives," Mike Howe says, "but there are some threshold issues." According to Howe, a pivotal one is whether the community foundation has the "resource base" to make initiatives happen, including funding, partnerships, external support and internal capacity. In an arts education initiative, the East Bay Community Foundation had in place a strong idea — creating viable arts programs in the schools by engaging local artists — but not the necessary resources. "We were zealous about it, true believers, but without the resources we couldn't carry it off in the way we wanted." Although the arts initiative continues to this day, Howe says that if they had to do it over again they would have first made sure a resource base could be developed, including a range of public and private funders, full support from the public school infrastructure, and generally "more people saying, 'yes, let's do this.'" Howe says they would have spent more time "testing the market — the market of funders and donors and the market of community partners" to see if the idea had sufficient support. By contrast, by the time East Bay's highly successful Livable Communities Initiative was underway, the foundation had done substantial research, engaged staff and board in discussions with experts, learned from other community foundation approaches, and secured funding from three private foundations.

On Initiative Partners
Peter Pennekamp, Humboldt Area Foundation

A key factor in the success of the Humboldt Area Foundation's Dental Health and Anemia Initiative — an effort to turn around "astounding" rates of tooth decay among the region's children — was "getting the right people at the table," says Peter Pennekamp. The foundation brought in representatives from the public health department, private dentists, and community leaders. "We got everyone to the table and made sure we had data on the problem," Pennekamp says. They engaged in a year-long planning process, with people meeting weekly to develop a comprehensive initiative plan. The cardinal rule, he says, was to have "all the key players at the table at the beginning." The initiative has enjoyed great success, with dramatic increases in dental care for children. In another initiative, on water management, the outcomes weren't as good. The main reason, Pennekamp says, was that the foundation by-passed some essential steps that they used in the dental initiative to identify and recruit the full range of needed partners. Another reason was that the foundation didn't have access to the right partners. Pennekamp says that some foundations tend to prefer starting with smaller groups, but community projects require that the partners you want with you at the end, need to be involved at the beginning.

On Initiative Sustainability
Lance Linares, Community Foundation of Santa Cruz County

"The lifeblood of community foundations is endowed money," says Lance Linares. "When they're setting up initiatives, private foundations could give more thought to local fund development, and how community foundations can sustain initiatives." In one initiative, CFSCC worked with a national consortium of foundations to address lesbian and gay issues in the Santa Cruz community. The community foundation raised funds to do grantmaking on these issues, and the national funders matched the amount. Linares says the best feature of the program was that the community foundation was allowed to retain a percentage of the money they raised to build an endowment and enable the grantmaking program to remain long after the national funders left the table. "The crafters of the initiative understood that endowment is critical to sustainability," Linares says. "Too often it's, 'Here's some money to run this program, go do it,' without understanding the hidden staff costs and the difficulties of sustaining the program. Private foundations don't always understand what it takes for a community foundation to do development." In another case, CFSCC wasn't able to sustain a youth grantmaking program beyond private foundation funding. Linares says the lesson is to plan an exit or sustainability strategy at the outset. He also recommends that community foundations elevate finance staff to a decision-making role when deciding whether to pursue an initiative.

A Checklist for Assessing Initiatives

The checklist on the following pages is designed to help community foundations assess the opportunity to embark on a community initiative and determine if needed ingredients are in place to succeed.
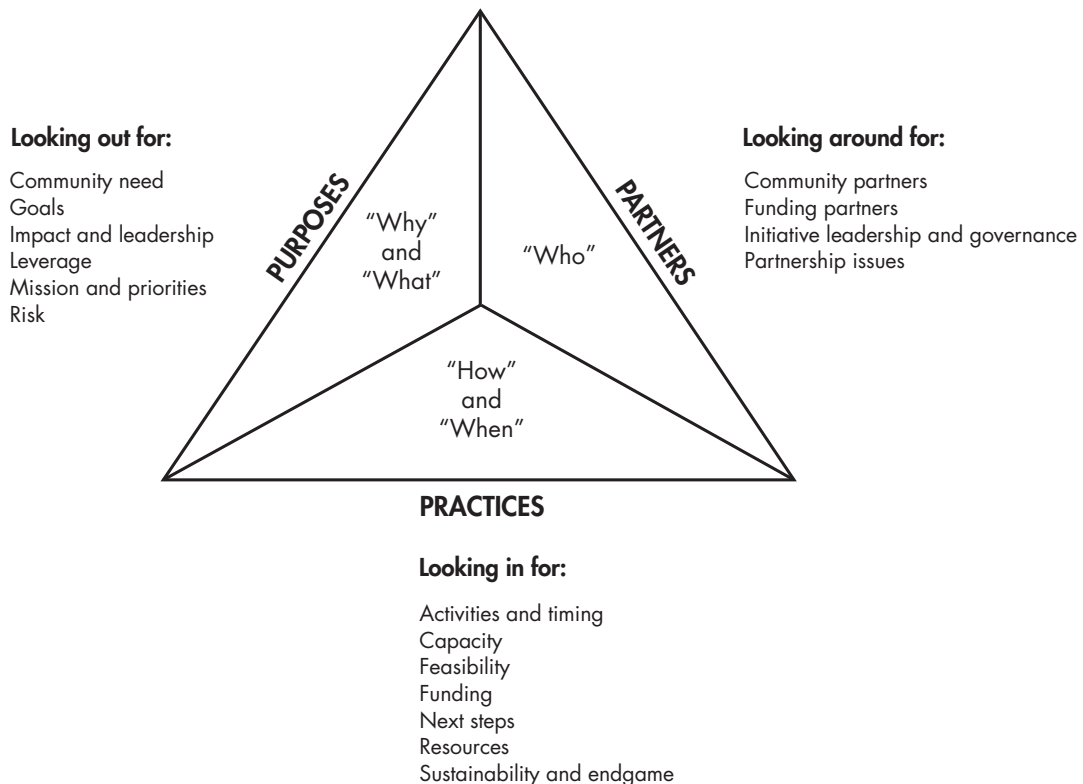
Assessing an initiative can be done from three broad angles:

The first angle is purposes — the "why" and "what" of managing an initiative. Here the community foundation is "looking out" to the community and its needs, determining how the initiative might add value, deciding what an initiative might accomplish.

The second angle is partners — the "who" of managing an initiative. Here the community foundation is "looking around" for the community and funding partners it needs to carry out an initiative successfully.

The third angle is practices — the "how" and "when" of managing an initiative. Here the community foundation is "looking in" to assess its own readiness, resources and capacity to take on a community initiative.

The checklist is organized along these three angles. Within each angle are a number of key dimensions by which a potential initiative might be assessed. Those angles and dimensions are represented below, and in the checklist that follows.

Looking out for:

Community need
Goals
Impact and leadership
Leverage
Mission and priorities
Risk

PURPOSES

"Why" and "What"

"Who"

"How" and "When"

PARTNERS

PRACTICES

Looking around for:

Community partners
Funding partners
Initiative leadership and governance
Partnership issues

Looking in for:

Activities and timing
Capacity
Feasibility
Funding
Next steps
Resources
Sustainability and endgame

Purposes ("Why" and "What")

Community need

☐ Does the initiative address a compelling community need? Can we clearly summarize that need in a paragraph? How do we define "compelling"?

☐ Do community members consider it a priority need?

☐ Does the initiative focus on a specific, defined opportunity or problem (vs. an overly broad area of need)?

Goals

☐ What overall goals does the initiative seek to achieve?

☐ Are these goals worthy? Are these goals realistic?

☐ Does the initiative seek to achieve measurable outcomes—for both the community and the community foundation?

☐ What short-term, intermediate and long-term community outcomes does the initiative seek to achieve?

Impact and leadership

☐ Do community members want the foundation to take a leadership role? Is there another entity that can do this better?

☐ Does the initiative present the opportunity to make a significant long-term or short-term difference in the problem being addressed? How do we define "significant"?

☐ Does the initiative present the opportunity to lead action, influence public policy or raise public awareness on an important issue?

☐ Does the initiative present the opportunity to develop new leaders at the community level or otherwise build the capacity of the community at large to better address an important issue?

Leverage

☐ In what ways does the initiative extend the reach of our dollars?

☐ Does the initiative attract or join other funders to reach scale?

☐ Does the initiative achieve large effects relative to our investment — big bang for the buck?

☐ Does the initiative achieve benefits for populations beyond the immediate beneficiaries — a multiplier effect?

☐ Does the initiative achieve synergies with the foundation's other focus areas?

Mission and priorities

☐ Does the initiative fit with the foundation's mission and current program priorities?

☐ Is the initiative being weighed against a consistent, board-approved set of criteria?

☐ Does the initiative fit with the foundation's history and reputation?

☐ How does the initiative support other foundation goals (such as those related to building assets, relationships, or visibility)?

☐ How do we explain our involvement to others?

Risk

☐ What are the potential risks to our community foundation's reputation and standing?

☐ What happens if we don't become involved?

☐ Are there politics we need to be aware of? Is the issue partisan or polarizing?

Partners ("Who")

Community partners

☐ Does the initiative already have the community partners it needs to succeed?

☐ Does our community foundation have the capacity to bring those people to the table? If not, are we aligned with other parties who can?

☐ What is the overall level of external ownership in the initiative? Is there enough?

☐ What is the level of capacity and leadership demonstrated by those partners?

☐ What has been our past experience with those partners?

☐ Does the initiative present the opportunity to develop desired community partnerships?

☐ Have we engaged needed partners in government and/or the private sector?

Funding partners

☐ Is there a reasonable plan for how initial funding for the initiative can be leveraged?

☐ Can we demonstrate that other funders will be attracted to the project?

☐ If appropriate, can we demonstrate how funding may be sustained over time?

☐ If we seek to take the program to major scale, will we be able to attract support and funding from the public sector?

Initiative leadership and governance

☐ What are the capacities and resources of outside nonprofits or consultants hired to help carry out the initiative?

☐ Do we have access to all the capacities and resources we need, internally or externally, to effectively manage the initiative?

☐ Does the initiative have the governance and management structures it needs?

☐ What is the proposed composition of the steering committee?

Partnership issues

☐ What are the roles of the partners? Are there clearly defined roles?

☐ Is the partnership at issue driven by a clear and shared vision of purpose?

☐ Can we institute procedures for making mid-course evaluations and adjustments?

Practices ("How" and "When")

Activities and timing

☐ Has the initiative identified core activities and specific milestones for those activities?

☐ Are our community foundation's roles at each phase of the initiative clearly defined?

☐ What is the intended duration of the initiative?

☐ What length of commitment is required from the foundation before results can be observed?

Capacity

☐ Does the initiative take advantage of staff expertise?

☐ Will it require additional staff training or research?

☐ What impact might the initiative have on building the overall capacity of the community foundation as an effective grantmaker and community builder?

Feasibility

☐ Is the initiative strategy feasible — can it be implemented?

☐ Is the initiative strategy realistic given our community foundation's resources?

Finance

☐ What is the funding commitment for our community foundation? Is the initiative fiscally prudent?

☐ What are our fund leveraging responsibilities?

☐ What are the ramifications if we agree to be a fiscal sponsor? (See *Fiscal Sponsorship: Six Ways To Do It Right* by Gregory L. Colvin)

☐ What are our opportunities for endowment building?

☐ What impact might the initiative have in diverting funds from our competitive grantmaking budget? Are these acceptable opportunity costs?

Next steps

☐ What are the next steps?

☐ Which staff members are responsible for next steps?

Resources

☐ What staff deployment would the initiative require?

☐ What outside consultants would need to be engaged?

☐ Will the foundation be able to absorb these resource costs?

☐ What effect will it have on development?

☐ What overall impact on community foundation resources — board, executive, program, finance and administrative levels — will the initiative have?

☐ Are our staff and board sufficiently committed to the initiative?

Sustainability and endgame

☐ What is our plan for the long-term sustainability of the initiative?

☐ What is the plan for our community foundation's exit strategy? Do we have a clear strategy for completion, phase-down or release of our foundation as a managing partner?

Rating Your Readiness: Using the Checklist

To get the most out of this tool, your community foundation can take three steps.

Step 1: Complete the checklist.

Step 2: Based on your answers to the questions, classify each of the seventeen dimensions (e.g., *community need, goals, leverage*) according to one of three "traffic light" categories:

> Green light: Move forward
> Yellow light: Proceed with caution
> Red light: Stop and revisit

Step 3: Plot each dimension as a point on the triangle visual below, both according to which angle it belongs to (*purposes, partners, practices*) and according to its readiness rating (*green light, yellow light, red light*).

Using this chart will help your community foundation see at a glance where you place on all the dimensions of a particular community initiative. The idea is to work on your plans so that ultimately they're all in or close to the *green light* region in all angles. For example, one conclusion from the below sample is that on this hypothetical initiative, the community foundation is relatively strong on the *purposes* angle and relatively weak on *partners* angle. Another is that, in order to be ready to take on the hypothetical initiative, the community foundation needs to focus its energies on the dimensions of *initiative leadership and governance, funding partners,* and *activities and timing,* all three of which have been placed in the *red light* category.
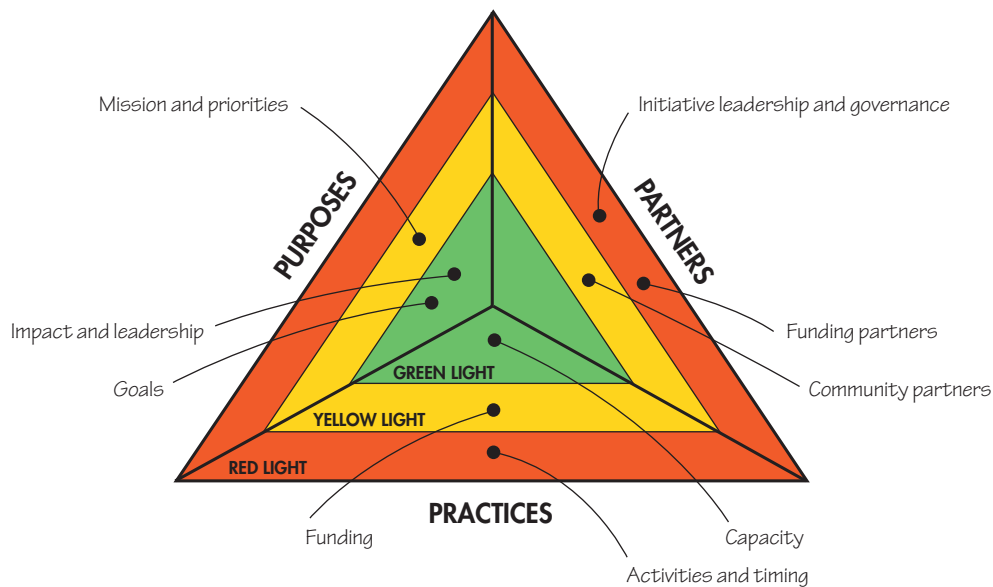
Rating your readiness: In this sample use of the model, a hypothetical community foundation assesses its readiness to take on a community initiative.

Contributors to This Paper

The James Irvine Foundation is an independent grantmaking foundation dedicated to enhancing the social, economic, and physical quality of life throughout California, and to enriching the state's intellectual and cultural environment. The Foundation was established in 1937 by James Irvine, the California pioneer whose 110,000-acre ranch in Southern California was among the largest privately owned land holdings in the state. With assets of $1.2 billion, the Foundation expects to make grants of $51 million in 2003 for the people of California. For more information about The James Irvine Foundation, please visit *www.irvine.org.*

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