

LESSONS FROM THE FIELD

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by Judith A. Ross

BECOMING STRATEGIC: THE EVOLUTION OF THE FLINN FOUNDATION

This case study illustrates the benefits of taking a strategic approach to maximize a foundation's impact. It describes how a foundation has narrowed its focus and assessed its performance.



Less than a decade ago, Arizona's Flinn Foundation began implementing a strategy that focused on boosting its state's bioscience economy and relied heavily on building collaborative partnerships. Since that time, Arizona has seen dramatic increases in jobs, research funding, businesses, and wages within the bioscience sector. According to Martin Shultz, vice president of Pinnacle West Capital, the state's largest utility, Flinn's strategic and collaborative effort to build Arizona's bioscience infrastructure has changed the landscape. "There was little here before," he says, "and now we have in Arizona many, many examples of new biomedical discoveries – many of which have been FDA approved and are in the market."

Flinn's journey began with a belief that the Foundation could play a distinctive role in improving health-care. According to Flinn's president and CEO John W. Murphy, "One of the reasons for investing in bioscience is that you want to be able to apply laboratory discoveries to patients more efficiently and effectively."

To fulfill that vision, Flinn tightened its focus, defined specific goals, and created metrics to measure its progress along the way.

Flinn's evolution to becoming more strategic has not been without its challenges. Murphy describes the process of revisiting the mission as "painful," and the change in focus resulted in some tough discussions with grantees and staff. While the new strategy appears to have contributed to positive results for Arizona, some criticize the Foundation's choices, its communications, and what they see as overly-ambitious – and even unrealistic – goals.

Hard Questions Lead to Change

When Murphy joined the Foundation in 1981, it was focusing its grants on advancing medical education, biomedical research, and a few community health projects. A few years into Murphy's tenure, sparked in part by donor bequests that doubled its assets and made Flinn the state's largest philanthropic funder at the time, the Foundation expanded its focus to support programs in education and the arts. By 2001, the Foundation was managing a portfolio of 100 to 150 grants per year in a wide range of areas that included programs for pregnant teenagers, projects addressing

cross-border issues with Mexico, art exhibitions, scholarships, and endowed chairs. “It was classic mission drift,” says Murphy.

Several factors contributed to Flinn’s decision to change its approach. First, the Foundation was undergoing a transition in the composition of its board. “New members were asking fundamental questions about how you forge a cohesive grant program that will do justice to the intent of the donors,” says Murphy, a former university administrator who came to Flinn from the Robert Wood Johnson Foundation. These questions launched an open dialogue with more experienced board members about the history and purpose of the Foundation.

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Another factor that led Flinn’s leadership to question its activities was the heavy criticism aimed at some of the projects it was funding. “We were risk takers. But you don’t want to ignore the criticism. You want to examine it and then say, ‘we’ll keep moving on or we won’t,’” says Murphy. While the Foundation didn’t back down from funding controversial programs – for example, a program that helped pregnant teenagers finish high school – the criticisms did push its leaders to take a hard look at whether the projects they had funded were likely to be self-sustaining and whether the Foundation was making the most effective use of its grant funds.

“The projects we’d funded had worked well, and we’d published some good materials that people were

using,” says Flinn’s current board chair, David Gul-len, M.D. “But they didn’t seem to have any legs. It seemed like the only way they could continue was if we kept funding them. We began asking ourselves, ‘How do you move teen pregnancy? How do you move research?’”

At the same time as Flinn’s leadership was reexamining the Foundation’s approach to its mission, Arizona was facing an economic downturn. And although people often view Arizona as a retirement state, “Its median age is among the younger of the states,” notes Murphy. “So we’re attracting young people who are seeking careers and jobs.” With the economic base in peril and an influx of new people, the state was facing enormous infrastructure needs, such as more schools, hospitals, highways, and parks, just to keep up with the population growth.

The state’s economic outlook, coupled with an emergence of new foundations in Arizona that had greater wealth than Flinn and that were funding in similar areas, opened up a new opportunity for the Foundation. “We began asking ourselves fundamental questions,” says Murphy. “‘What’s the intent here? How does this all fit together? Given our limited resources, how many new projects per year can Flinn do? As we looked at the environmental assessment of what was happening around and within our state as well as what was happening in health care, in concert with reviewing our donors’ intent, we began to realize that there was a special niche for this Foundation.’”

Solidifying a Direction for Change

Flinn’s leaders took several steps toward adopting a more strategic approach. First, they revisited Flinn’s

mission and reexamined the donors' intent. The process revealed that each board member had a different view of what the foundation was doing. "It's painful because you think you know your organization very well, and then you find that with 15 people in the room you've got 15 different answers," says Murphy. Yet, he continues, "When you looked at what Dr. and Mrs. Flinn did during their lifetimes in steering this organization, it was primarily in the biomedical sector. So when we scraped back to the raw bone and asked, 'What is it we are about, what's the charge here, what's the most effective use of the funds they committed?' we realized that improving life in Arizona is about future generations and that the foundation's money is meant to be engaged in applying resources for long-term systemic changes and not for short-term charitable goals. Those are two key elements that were linked in our minds as a starting point."

Once the decision was made to focus the Foundation's work more tightly, Flinn's Board of Directors identified three broad areas for exploration: health policy, community health, and bioscience research. The Board then asked the staff and a team of consultants to develop a scenario for translating each of those areas into action plans. After considering all three the Board chose to focus on the biosciences. "While some of them may have favored a different scenario, none of them wanted to return to the broad-brush approach," says Murphy. "So while it took a while for some who did not favor this approach to embrace it, there's not a one of them now who would second-guess that decision."

With its area of focus nailed down, the Foundation hired Battelle, a national consulting firm to assess biomedical research in Arizona. "They identified Arizona's strengths and weaknesses and benchmarked us against other states," says William S. Read, PhD, Flinn's senior vice president of Special Research and

Programs. The study launched the state's "Bioscience Roadmap," a 10-year plan to fast track Arizona on a path to achieve national bioscience stature and a diversified economy.

Setting Goals and Defining Metrics

The Roadmap set several goals to help make Arizona competitive in biotechnology within 10 years (by 2012). These include the following:

- Build research infrastructure
- Build critical mass of firms
- Enhance business environment
- Prepare workforce, educate citizens

To ensure progress on these goals, Flinn asked the consulting team to identify specific strategies for each and develop a set of metrics to help assess the effectiveness of those strategies. The primary measures are

- The rate of growth in National Institutes of Health (NIH) grants
- The creation of new high-paying jobs in the biotech sector
- The growth and/or expansion of biotech companies, and
- The commitment of public and private resources within Arizona to the bioscience sector

“We did not see the Roadmap as static,” says Murphy. “We took steps to ensure that this was not just another report stored on some shelf somewhere. We involved more than 300 leaders throughout the state to offer their ideas and suggest comparative measures. Plus, Flinn leadership stayed involved in every aspect of mapping how those goals were to be achieved, convening groups, gathering and sharing data, involving consultants. We also built in an annual progress report card that is independently compiled.”

Implementing the Change

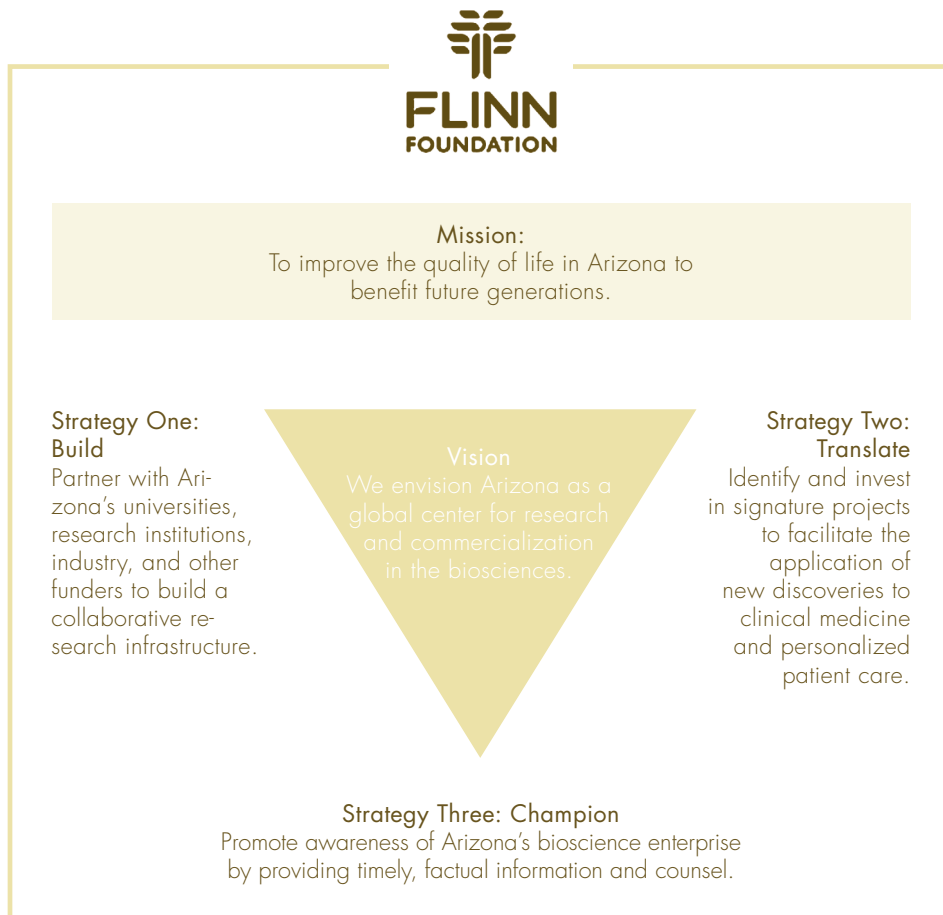
Within the Roadmap, Flinn focused its grants on building research infrastructure and nurturing a thriving

bioscience industry. “We chose a ‘less is more’ approach,” says Murphy. “We won’t make as many grant commitments, but those we do make will be far more significant in terms of impact on recipients, and also more fundamental to that organization because the funds are used more flexibly to build institutions rather than on a conventional narrow project for a few years.” In fact, Flinn now awards only about five grants per year. “That’s probably the most quantifiable expression of this change,” says Murphy.

Because Flinn is making fewer grants, those it does make are larger, longer-term, and support multidisciplinary, collaborative efforts involving research teams at the state’s public universities and nonprofit research institutions. Furthermore, Flinn leverages its grant dollars, making commitments by providing either match-

ing or challenge grants or by making grants that are large enough to attract the interest of others who could add value to the project.

Flinn’s strategic approach doesn’t end with grantmaking. The Foundation uses other resources besides its grant dollars to achieve its goals. “To carry all this out, you need a broad coalition and a champion. And, like it or not, Flinn has become Arizona’s bioscience champion,” says Murphy. “To be the champion is to be an advocate and leader. A lot of what we do revolves around being a source of reliable information and data to the media, legislators, research scientists, and others who also want to champion projects and initiatives within the bioscience arena.”



Testing the Strategy

While Flinn's leadership was working through the change, and outsiders were not yet aware of it, a serendipitous request gave its new direction a jumpstart. The Foundation was asked to help start a research institute based on the human genome project. Flinn

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convened a group of leaders from the corporate and academic sectors to consider collectively whether the project was feasible and how the group could ultimately secure the monies needed for the project.

"The project provided an immediate external expression of our internal conclusions," says Murphy. "Nearly \$100 million was required, and we quickly realized that a mix of private- and public-sector funding would be needed. Being in the forefront of that effort enabled us to earn our spurs right away. It is a wonderful example of how to build a coalition quickly," he says. "Having an established trust relationship with key decisionmakers is critically important."

Today the Translational Genomics Research Institute (TGen), a Flinn grantee, is a free-standing research institute with formal partnerships between the Arizona Board of Regents and universities. Its reach is global: TGen recently announced a \$200 million partnership with Luxembourg, and another with Singapore is pending.

Partnering for Greater Impact

With a staff of 17 and an endowment of just over \$215 million, Flinn made building collaborative partnerships to fund research infrastructure not only a crucial first step, but a key component of its strategy to develop Arizona's biosciences. "Because we are a small foundation,"

says Read, "it is unrealistic to think that we could, on our own, make the kinds of investments that creating a bioscience research infrastructure in Arizona demands. We must convince other funding partners, public and private, to also invest in those research infrastructures."

According to Gullen, it is important to bring in partners as early as possible. "If you are going to do collaborative projects, bring people on board during the planning stages because then you've got terrific buy-in. You've got a sales force of advocates. It is a group project — not just Flinn's project," he says. He does offer one caveat, however. "When you go in with partners, you've got to be willing to give up a little bit of control."

It also meant altering the Foundation's working culture. "We took on some of the characteristics of an operating foundation," Murphy says, "convening numerous groups, hiring specialist consultants to assist government leaders, and implementing the Roadmap."

Communicating the Strategy

Attracting others to the cause required a tightly planned, well-organized communications effort and Flinn's leadership beefed up its communications staff to aid in that endeavor. The team was led by Executive Vice President Sandra Johnson, an experienced

health care executive with a background in strategic planning and collaboration building, who was responsible for designing the strategy implementation.

The communications team's first step was to revise the messaging in Flinn's already existing publications, such as the annual report, to reflect its new direction. What was once a traditional Web site that focused on the Foundation's history, staff, and activities evolved into a resource providing the latest information about biosciences in Arizona. Web content now includes electronic newsletters, blogs on external research opportunities, digests of bioscience news developments, a meetings calendar, and an industry directory.

To introduce people to the Roadmap concept, Flinn hosted presentations in three cities. "In Phoenix, we had the governor and governor-elect speak, as well as the mayor of Phoenix," says Johnson. "And then we drove to Tucson and had a luncheon with the same kind of high-level community leadership presence." The Foundation then did the same thing in Flagstaff at the northern end of the state.

"This is similar to doing a grassroots political campaign," says Johnson. "You figure out how to communicate with different groups and identify the key leaders who can carry your message to those groups. And that's basically what we did. We put a solid communications plan in place, did presentations, met with people around the state, and started to develop the relationships, understanding, and enthusiasm to advance the biosciences."

To hone its messaging, Flinn's communications team met with a variety of groups, including those working in industry, hospital PR, at the universities, and in government. "We took them through a facilitated process to learn what they thought the most important messages were to communicate the importance of the biosciences," says Johnson. The result was a working

document of messages that were broken down by constituencies. "For example, in conversations with legislators, information important to the economy, job growth, and education requirements were stressed. However, if you were addressing scientists, more technical messaging was developed," she explains.

To help deliver those messages, Flinn created the Arizona Bioscience Roadmap Steering Committee, which includes state legislators and other government officials, an array of business leaders, researchers, and university executives. "We started with 28 members, and we've grown to 80," says Johnson. "It's a great way to get the word out and keep people engaged." Steering Committee members participate in work groups focused on issues related to the biosciences, such as development of venture capital, education, workforce development, and research.

Flinn also provides a yearly opportunity for steering committee members to meet with the state's congressional delegation in Washington, D.C. "We do it as an educational opportunity," says Johnson. "It reminds the

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[congressional] staff that bioscience activity is important in Arizona. It also brings in key corporate and civic leaders that the delegation may see at other times on other business, but that they wouldn't necessarily associate with this effort. Our collective presence helps them understand the breadth of the collaboration and provides specifics about what is currently happening in Arizona."

Side Effects of Change

The new approach didn't just keep the communications team busy, it also changed the substance of the program staff's daily work. According to Read, it meant "leaving areas such as policy and access to health care in which the Foundation was highly effective, and in which staff both liked working and were highly proficient."

Furthermore, the new focus demanded that Flinn's staff – the majority of whom are generalists with professional backgrounds – become proficient in the new area of focus. "We've had to retool ourselves as we go along," says Read. He points to his own experience as an example, "I'm trained as a cultural anthropologist and medical sociologist. With this change to biomedical research, I've had to learn about commercialization, for example."

Staff also became engaged in national biomedical research organizations and networked with and joined economic development groups to gain a better understanding of those issues for the state, and to represent the strategies of Arizona's Biosciences Roadmap.

One painful aspect of implementing the strategy – for both board and staff – was the need to say goodbye to grantees as the Foundation discontinued programs that did not fit into its new focus. As a first step, the Foundation canceled planned new initiatives, made a few transition grants, and gently closed the door on former grantees. "There was a period of about three years when we continued to honor our commitments to help the organizations transition themselves to other sources of funding," says Read. "Several of the projects that we funded prior to adopting our more narrow focus are still ongoing," he says.

Program staff worked closely with grantees to create a soft landing for those that would not be part of

the new strategy. "We made challenge grants to some grantees so that they could use the challenge to get new dollars," Read says. The new funders in the state also helped lessen the blow to grantees because they worked in areas that once had been traditional grant focuses for Flinn and so became fresh sources of funding.

Close, trusting relationships with grantees also proved to be an asset in creating a smooth transition, says Read. "Over the years we had developed a lot of good will with our grantees because of our history of not only providing them with grant money but also providing them with consulting expertise, technical assistance, and help in finding additional funding from other sources," he says.

Role of the Board

As Flinn's activities changed in response to the new strategy, so too did those of its Board. For one thing, rather than review and authorize a diverse stack of new grant requests, board members can now delve more deeply into key aspects of the critical infrastructure organizations Flinn funds. "They hold meetings at grantee sites, have frequent scientific presentations by key leaders, and are briefed by key community and legislative leaders. They've become more knowledgeable about community issues and the dynamics of educational and research organizations, especially startup organizations," says Murphy.

The Board also takes a more holistic view of the Foundation's work. "The Board now thinks of total resource allocation rather than just grants in one category and investments in another," he says. "For example, to jumpstart local venture capital investments in the biosciences, our Board has earmarked a portion of our investment portfolio to be used for Arizona bio-

science start-up projects. We've made a few key investments that have generated good returns already."

According to Gullen, the Board receives updates on and discusses the Roadmap at every meeting, focusing on specific areas. For instance, he says, "We've made a lot of progress in biomedical research though we're not finished by any means. But one area that seems to be lagging a bit is venture capital – getting capital in the state to take discoveries to commercial value. So we spend a lot of time thinking about that and discussing different strategies that we could use."

Reporting Progress

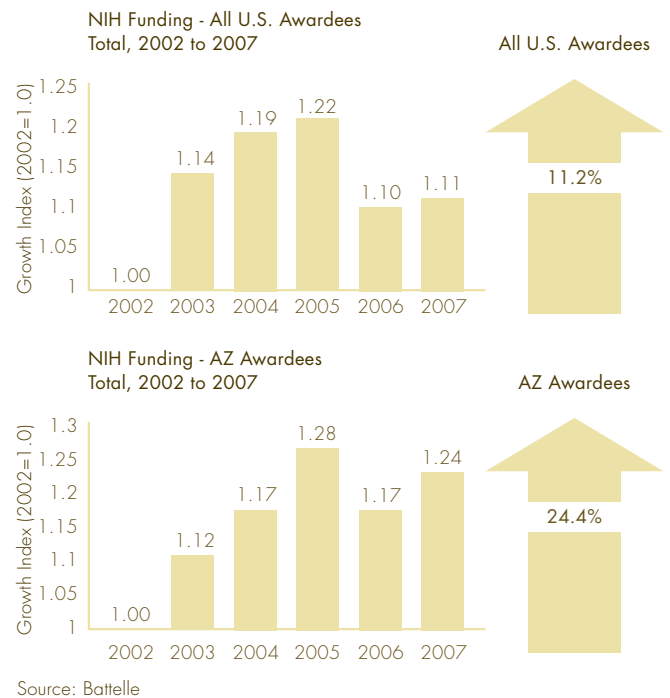
Flinn's Board is able to stay abreast of its progress in implementing the Roadmap because the Foundation closely monitors how well the strategy is working. In addition to developing metrics to assess progress on each of its goals, its consulting team updates those metrics annually.

Flinn informs stakeholders about their progress through regular presentations, and it posts quarterly progress reports on its Web site (www.flinn.org). Its latest report, released in January 2009, documents results for the Roadmap's metrics of success.

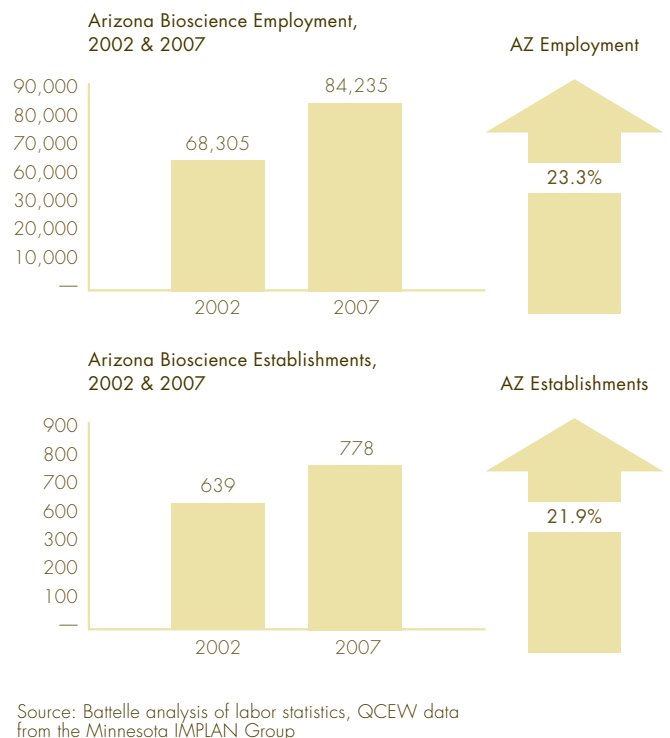
Between 2002 and 2007

- NIH funding increased 24 percent in Arizona, with its performance outpacing the top 10 states (up 11 percent) and the U.S. (up 11 percent).
- Biotechnology jobs increased by 23 percent (nearly 16,000 jobs), exceeding growth in the U.S. as a whole.

Trends in federal research grants (2002–2007)



Growth in Arizona bioscience employment and establishments over a 5-year period (2002–2007)



- Biotechnology firms increased by 22 percent. (Medical devices, research, testing, and medical labs are key segments.)
- Biotechnology wages increased 34 percent, with the average salary at \$52.5K. (Arizona bioscience workers earned \$11,000 per year more than workers in the overall state private sector in 2007.)

Indicators covering 2002 – 2008 show

- Start-ups up 50 percent (42 biotech startups).
- Licenses up 15 percent (176 biotech licenses).

Not all the news is positive, however.

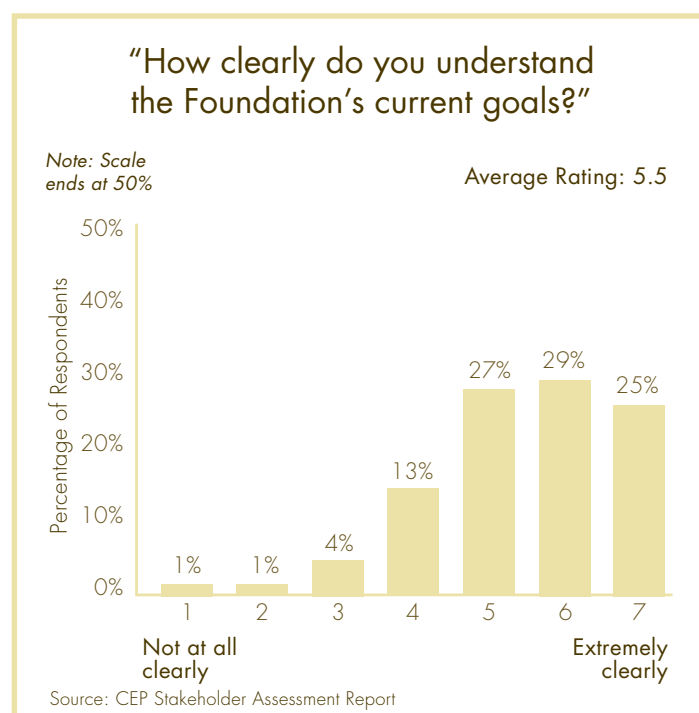
- Risk capital is down 41 percent having reached 86 percent of the goal in 2007 and 65 percent of the goal in 2008.
- Biotech income is down 18 percent – a total of \$14.4m with a significant decline in 2008 over 2006 – 2007 levels.

Still, the data suggests that Flinn is making an impact with the work it is doing along with others in the state. TGen’s President and Chief Scientist, Dr. Jeffrey Trent, is impressed by Flinn’s track record of investigating relevant data, setting milestones, and using third parties to assess its performance. “They are a unique resource to the state,” he says. “They are viewed as a trusted source of information. They are a best-practice example of how making targeted investments and having a directed mission can play a critical role. We are evidence of the impact they have had on Arizona’s biosciences.”

To meet its goals, Flinn must also continue to engage stakeholders from a variety of disciplines. Flinn recently surveyed more than 200 Arizona leaders using

the Center for Effective Philanthropy’s Stakeholder Assessment Report (STAR), which uncovers the perceptions of stakeholders on a range of topics – from the Foundation’s communications and resources to its influence and impact.

The STAR revealed some challenges that the Foundation must address if it is to maximize its impact. For example, even though Flinn has a well-planned communications program, nearly half of its stakeholders rate their understanding of Flinn’s goals less than a 6 or 7 on a 1 to 7 scale. Furthermore, stakeholders who rate Flinn less highly in its effectiveness in accomplish-



ing its goals often cite their lack of information as a reason for the lower rating.

In addition, many stakeholders believe that Flinn has over-reached in its goals – especially the goal of translating research discoveries into patient care and commercial opportunities. When asked how effective the Foundation is at accomplishing this goal, the

Moving Ahead

average rating was a 4.4 on a scale of 1 to 7 where 1 is not at all effective and 7 is very effective. “I am not sure that the Flinn Foundation understands how to translate discoveries into patient care and commercialization,” commented one stakeholder. “Commercial activities are a big challenge that go beyond Flinn, despite Flinn’s laudable efforts,” wrote another.

The diverse stakeholder groups also pose another challenge. While the majority thinks that Flinn has chosen appropriate goals, their perceptions of which activities are most important in achieving those goals vary from one stakeholder community to another. “Satisfying these diverse opinions will require some careful balancing in the years to come,” says Read. “Researchers and health care providers have different priorities, and educators would favor stronger math and science programs in the schools as a priority. We really need to keep everybody at the table. We will be successful in accomplishing our goals only if we can continue to foster and maintain these important partnerships.”

Overall, however, stakeholders describe Flinn in positive terms, according to the CEP report, and the majority mentions the Foundation’s leadership and the quality of its staff as strengths.

Shultz, the utility executive, who also chairs Arizona’s Bioscience Roadmap Steering Committee, believes that Flinn has made an important difference in the state by charting the Roadmap. “They’ve literally changed the landscape and the approach. We set the goals to grow the industry and that’s exactly what we’re doing. I don’t know if we would have attracted this many venture capitalists, or this much money or interest in this general industry, had we not had the Roadmap as a framework.”

Flinn’s leaders say that although the Foundation is at the midpoint in terms of fulfilling the goals it set out in 2001, they expect the current economic downturn to slow their progress.

Read predicts that it will take Flinn longer than hoped to reach some key goals. “The Board is very comfortable with what we’re doing. Like us, they realize that an economic downturn like this can be an enormous opportunity to rearrange the deck chairs so they can catch even more sunlight. There are opportunities, but we have to become even more astute about what’s happening in our environment and how to proceed and how leadership in the state wants to do that.”

In the meantime, Flinn will continue to address the challenges of positioning and improving Arizona’s research infrastructure to keep pace with the global environment. “It’s all about overall effectiveness,” says Murphy. “If foundations want to leverage their grant dollars to the greatest degree possible, taking a strategic approach can generate lasting impact.”



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About the Center for Effective Philanthropy

The Center for Effective Philanthropy (CEP) is a nonprofit organization focused on the development of comparative data to enable higher-performing foundations. CEP's mission is to provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness and impact.

This mission is based on a vision of a world in which pressing social needs are more effectively addressed. It stems from a belief that improved performance of funders can have a profoundly positive impact on nonprofit organizations and those they serve.

CEP pursues its mission through data collection and research that fuel the creation of research publications, assessment tools, and programming.

Research

Since receiving initial funding in 2001, CEP has produced widely referenced research reports on foundation strategy, performance assessment, foundation governance, and foundation – grantee relationships. CEP has created new data sets relevant to foundation leaders and provided insights on key issues related to foundation effectiveness. All of CEP's reports can be downloaded or ordered on our Web site.

Assessment Tools

CEP has developed widely used assessment tools such as the Grantee Perception Report® (GPR), Applicant Perception Report (APR), Comparative Board Report (CBR), Staff Perception Report (SPR), Stakeholder Assessment Report (STAR), and Multidimensional Assessment Report (MAP). Nearly 200 foundations have used CEP's assessment tools – most implementing significant changes on the basis of what they have learned.

Programming

CEP offers programming for foundation trustees, CEOs, senior executives, and trustees. CEP's programming features our latest research and highlights exemplars in the field. Conferences are candid, hard-hitting, and practical, bringing foundation leaders together to learn from each other and set a higher standard for foundation performance. Conferences feature sessions on strategy development, performance assessment, governance, and leadership.

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Other Case Studies

Improving the Grantee Experience at the David and Lucile Packard Foundation (January 2008) describes how leaders at Packard identified and translated the elements of quality interactions and clear communications with grantees into specific criteria. The case study explores how they developed and implemented these criteria, called Grantee Experience Standards, as a way to strengthen the Foundation's relationships with its grantees.

Aiming for Excellence at The Wallace Foundation (June 2008) describes how leaders at Wallace have responded to results of the Grantee Perception Report® (GPR), which the Foundation has repeated three times. Each successive GPR has enabled foundation leaders to more sharply hone their performance improvement efforts as they embark on a series of actions. The case study highlights a foundation working to improve its performance in response to comparative assessment data, illustrating the need for continuous feedback loops to inform decision-making.



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