THE ROLE OF INVESTORS:

LESSONS LEARNED ON CRITICAL ROOTS THAT DRIVE QUALITY COLLECTIVE IMPACT

StriveTogether

Every child. Cradle to career.

grantmakers for education

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StriveTogether is a national, nonprofit network of 70 communities that supports the success of every child, cradle to career. We provide coaching, connections and resources to local partnerships and work together to accelerate progress in education. Communities using our approach have seen dramatic improvements in kindergarten readiness, academic achievement and postsecondary success. The Cradle to Career Network reaches 8 million students, involves more than 10,200 organizations and operates in 30 states and Washington, D.C. Visit www.strivetogether.org.

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Grantmakers for Education is a national membership organization, composed of close to 300 private and public grantmakers, that supports education from early childhood through higher education. Its mission is to strengthen philanthropy's capacity to improve educational outcomes and opportunities for all learners.

INTRODUCTION

Collective impact is anything but "business as usual." For this concept to truly take hold in a community and lead to improved outcomes, cross-sector stakeholders must begin to work in an integrated way that leads to sustained impact over time. In this paper, we explore the roles of the philanthropic community in driving quality collective impact and key lessons learned by investors engaged in on-the-ground collective impact initiatives across the country.

Background

Lessons outlined in this paper were drawn from a panel session StriveTogether and Grantmakers for Education co-hosted at Collective Impact Forum's May 2014 "Catalyzing Large Scale Change: The Funder's Role in Collective Impact" conference in Aspen, Colo. The Aspen setting connected attendees to a poignant analogy comparing philanthropists in collective impact to the mighty aspen trees right outside the windows spanning the meeting room.

"Aspen trees grow in groves; their roots are interconnected and contribute to the health and growth of the entire colony," said Steve Patrick, executive director of the Aspen Forum for Community Solutions at the Aspen Institute, as he opened the conference. "Thinking of collective impact as work to build an interconnected system. There is no doubt that philanthropy is one of many critical roots necessary for sustainability and success."

During the StriveTogether and Grantmakers for Education session titled, "The Role of Investors in Supporting Quality Collective Impact in Education," five panelists from the investor community were asked to share their perspectives and experience in working with collective impact. The panel used the StriveTogether Theory of Action — a hypothesis for quality collective impact developed by more than 30 communities building cradle-to-career partnerships — to reflect on the role of funders at various stages of development.

Panelists included: Bill Koll of McCormick Foundation in Chicago; Ken Thompson of the Bill & Melinda Gates Foundation focused on Seattle; Leslie Maloney of the Haile/U.S. Bank Foundation in Cincinnati; and national investors Tina Gridiron of Lumina Foundation and Ben Hecht of Living Cities. Wynn Rosser of Greater Texas Foundation, Doug Wood of Ford Foundation and Ryan Chao of Annie E. Casey Foundation served as "reflectors" for the discussions and helped us identify overarching themes pertinent to the roles of investors.

To help build a mantra around engagement, we challenged participants in Aspen to capture the role investors can play in collective impact in a simple haiku.The haiku that truly embodies the importance of the investor role is, "Where there is stacked wood. Kindling ready to ignite. We can fuel the flame."

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INVESTOR ENGAGEMENT

Investors walk a tightrope in their level of engagement as philanthropic stakeholders in collective impact initiatives, such as cradle-to-career partnerships. They often are challenged with how to strategically contribute real-time expertise to guide the work without disrupting or directing the work through their funding capacity. With the lessons learned from investors engaged in this work at different levels and stages, we believe there is an opportunity for the philanthropic community to more easily articulate their role and transition to an innovative, albeit nontraditional, mindset.

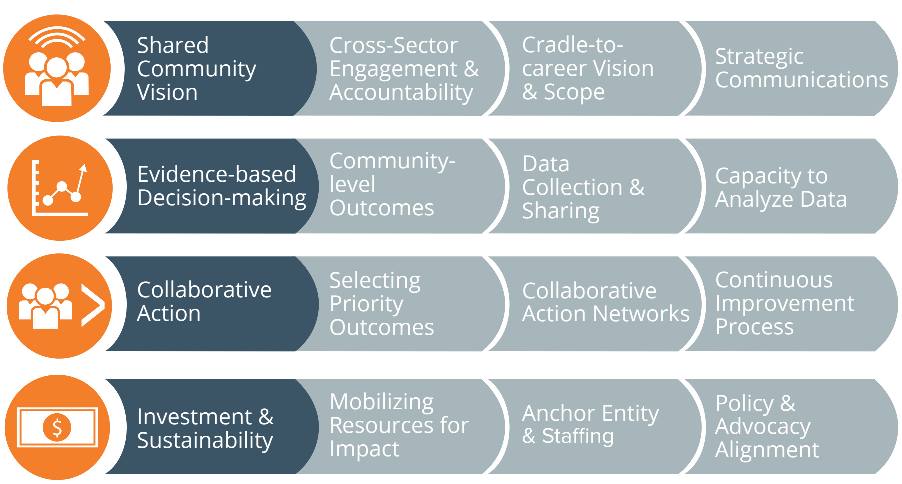
Community partnerships also grapple with investor engagement while building cradle-to-career civic infrastructure, but from the other side of the collective impact mirror. While communities recognize the exigent need to engage investors, it can be challenging to communicate collective impact work in a way that it resonates with work investors already do. Communities commonly ask, “How can we help investors see themselves in collective impact?” Understanding the roles investors have identified to drive quality collective impact forward can help build the case for investor engagement and speak to common motivations or reservations.

Transition from Funding to Investment

As a vital stakeholder and participant in collective impact work, philanthropists do much more than “fund.” We believe that it is critical to pivot from traditional “funder” language to a more accurate portrayal of their role as “investors” working to help improve outcomes around seemingly intractable social problems. Funding practices frequently are associated with charity and focused on outputs, individuals served and dollars raised. To move away from this frame and perspective, we believe that a shift toward a more investment-focused mindset will help change the way philanthropy does business.

The StriveTogether framework for building civic infrastructure (*outlined below*) dedicates an entire pillar to Investment & Sustainability — a body of work one would expect to be populated with philanthropic partners. As an equitable partner and stakeholder in quality collective impact, we believe the role of investors extends well beyond this pillar and is inclusive throughout the process.

StriveTogether Framework



LESSONS LEARNED

We have synthesized our discussions with collective impact investors into a core set of three lessons. Applied together with investor engagement, these lessons can lead to a dramatic shift in the way investors operate as a collective impact partner in any community.

Lesson One: Adopt and Embrace a Different Mindset

Investors often focus on funding unique projects within a particular grant cycle. Quality collective impact requires investors to roll up their sleeves with partners to identify the ways they can best engage to achieve impact. This work can be messy and complex; it's about solving a community problem, not completing a project. In concrete terms, this means:

- **Shifting from "Our" Agenda to a Shared Community Agenda and Investment**

  Clearly defining investment priorities within an organizational mission is important; it guides investment practices. Within collective impact, investors can align their interests to improve outcomes within a broadly shared community agenda. Investors at the table have the opportunity to provide their own point of view, while being part of the overarching community goals. For example, the KnowledgeWorks Foundation made the commitment early in the development of the cradle-to-career Cincinnati/Northern Kentucky StrivePartnership to house partnership staff, but committed to never chair the partnership to ensure broad community ownership. This has been critical in ensuring the work is not identified with a single entity, but instead reflects the interests of a broader set of community stakeholders.

- **Promoting the Development of Braided Funding**

  Investors will need to look for braided funding models that are public/private in nature, rather than focusing on being a sole investor. This will leverage existing funds and ensure their investment is combined with others to achieve greater impact. It requires a shift away from individual philanthropic investment to more collaborative investment, not only among private sector funders, but also with public sector resources. For example, the United Way of Salt Lake is pioneering a completely different way for public and private investors to work together through social impact bonds. This groundbreaking work in the education space is focusing private dollars on innovation and public dollars on sustained impact. Perhaps most importantly, it is helping leaders across the country think in news ways about what we can do with the concept of public/private partnerships.

INVESTORS ROLE IN QUALITY COLLECTIVE IMPACT

- **Balancing Being a Good Partner and Having a Point of View**

  One investor told us that investors should "be at the table, but sit at the back." Investors can balance their point of view while being both mindful and respectful of the community's local context. In order to reinforce that investors are not solely defining the direction, this may mean they need to allow other leaders to emerge and shape the direction. That said, it is critical that investors ensure partners stay focused on the outcomes to improve and be honest about their point of view. In essence, investors have to work hard to strike a balance between docility and domination as the strategy emerges over time.

Lesson Two: Build the Connective Tissue

Investors can help build the "connective tissue" needed to achieve collective impact in numerous ways, but three seemed to emerge most prominently:

- **Using Convening Power**

  Investors typically have a large network of connections and relationships across a community. Bringing this social capital to the table can help expand an initiative's support base and bring valuable resources to the partnership. Complex work requires capacity across partners, particularly in regard to sharing data. Investors also can help determine the baseline degree of capacity needed to execute the work once relationships are formed.

- **Supporting Critical Backbone Functions**

  Perhaps most talked about in the field as a whole, specific and concrete backbone functions — not simply an organization alone — must be in place to drive collective impact work. Investing in the various roles that are part of the backbone function work isn't always perceived as sexy; it requires an investment in foundational capacity to coordinate efforts and collect, manage and utilize data on an ongoing basis for improvement instead of evaluation. StriveTogether has identified numerous backbone roles that need to be played, including housing core staff, championing a policy agenda, implementing a communications plan, building capacity to use data for continuous improvement and facilitating networks. Many of these roles can be played by partners already engaged around this challenge. Some will require investment, but the limited dollars it may take can ensure programmatic investments are targeted to have the greatest possible impact.

**"Be at the table,
but sit at the back."**

- **Promoting the Dissemination of Knowledge and Lessons in Real Time**

  Investors can provide the social cover necessary for practitioners to focus on continuous improvement. This means they can encourage, enable and even reward partners for modeling a willingness to share what is working, what is not working and, most importantly, what real-time knowledge obtained along the way is being applied to improve work on the ground. Investors are uniquely situated to disseminate this rapid-cycle prototyping to scale practices having an impact. For example, the Commit! Partnership in Dallas shares "Stories of Impact" on its website to highlight partner practices that are improving outcomes for students in the community. StriveTogether also has embraced real-time dissemination of knowledge through "fail forward" tales from the field. At the last StriveTogether national Cradle to Career Network Convening of partnerships, three communities were selected to share their fail forward stories as lessons in what not to do. More and more communities are embracing this culture of transparency to lift up what works and learn from what doesn't.

Lesson Three: Invest in Leadership

While it is a well-worn cliché, it really does all come down to leadership. Investors recognize the need to better train leaders within their own organizations and to lift up and support leadership development for those driving collective impact.

- **Building the Talent Pipeline**

  Based on experience with communities working to achieve collective impact at scale, the quality of the staff — executive director, data analysts and continuous improvement facilitators — is one of the most critical variables to making progress toward improved community-level outcomes. Unfortunately, there are not clear training options in place for these roles. There are numerous efforts underway within the StriveTogether Cradle to Career Network to build the talent pipeline, including work with The Annie E. Casey Foundation's Leadership Development Team. A cohort of the three key staff from five cradle-to-career partnerships are learning results-based leadership skills to ensure partners keep outcomes at the center and collectively own improvement over the long term. As we learn more, investors can help refine training like this to ensure the human capital needed can be sustained.

- **Leadership Training, Internally and Externally**

  There is a need to provide training to leaders across different sectors. This work not only requires new staff roles for the backbone function, but also asks leaders and their teams to begin to think about what they can be doing differently each and every day to contribute to achieving community-wide goals. As an example, investors may need to completely reconsider whether the request for proposal and the processes around it are the best tools to achieve impact. There may be other ways to identify investment opportunities. Such a shift will require the development of new and innovative professional development opportunities so partners can internalize new ways of operating to achieve collective impact.

- **Changing Investor Staff Roles: The Thompson's Law**

  With this new mindset, the roles of staff will change somewhat dramatically. Staff responsibilities will move from managing grants to being an engaged partner in communities that identify strategic investment opportunities. This means staff will need to be freed up to build trust with partners, becoming a critical friend at times to the staff and peers within the broader collective impact effort. To accentuate this point, Ken Thompson of the Bill & Melinda Gates Foundation introduced what we will now call Thompson's Law. It states, "The ability of staff to change behavior is directly linked to how frantic they are." He noted that if staff is charged with being a true partner in collective impact efforts — meaning they have time to build trust — they can't do all the things they had been doing to manage grants. They must be freed up to give the time needed to engage actively day in and day out in this work. That is what it will take to truly embrace a new, more investment-centric mindset. For example, United Ways across the country are embracing collective impact through the development of cradle-to-career civic infrastructure. In Albuquerque, the United Way of Central New Mexico has hired additional staff to specifically lead this work and its integration into the United Way — roles that are separate from traditional grant management. Valley of the Sun United Way, located in Phoenix, is also making progress through this new lens of staff roles and functions.

NEXT STEPS FOR CHANGE

Realizing the unique value of collective impact relies on systemic change in communities. We believe quality is the not-so-secret ingredient to utilize this concept to solve seemingly intractable social problems. Investors have ample opportunities to engage in this work from the early or catalytic stages of development to action-oriented practices that lead to systems change. Explicitly naming roles, challenges and opportunities for meaningful and intentional investor engagement shines a spotlight on the ways philanthropic organizations can "get their hands dirty" as an equal partner in this work.

As more communities engage in different conversations about how to invest resources in the education system, more investors are embracing quality collective impact and using evidence-based strategies and existing resources to improve outcomes for students. With a rapidly changing world and increasingly diversified economy, our continued prosperity rests on the adoption of a new strategy for education reform that maximizes outcomes and investments.

Like the roots of aspen trees, philanthropists do more than just nourish the programs they fund. They help keep them firmly planted, grow to new heights and flourish.

The ability of staff to change behavior is directly linked to how frantic they are.

— Ken Thompson, Bill & Melinda Gates Foundation