

## Seismic Shifts Beyond Foundation Walls Compel Changes Within

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What is a foundation to do when its mission to improve and transform health and well-being is threatened by persistent economic challenges and growing community needs? For Saint Luke's Foundation of Cleveland, the answer lay in three words: rethink, redesign, and reinvent.

Since 1997, when established with the charitable assets of the former Saint Luke's Medical Center, the foundation has awarded more than \$92 million in grants that support local efforts to effect lasting change.

As the foundation approached its 15<sup>th</sup> anniversary, board and professional leaders grappled with an issue facing all private foundations that use a traditional market-based spending policy: more grant dollars are available when the economy is good, and fewer are available when the community needs them most.

Since the onset of the economic turmoil in 2008, the foundation's nonprofit partners have been hard-pressed to balance the needs of Greater Cleveland's vulnerable populations against reductions in financial support. This reality ran contrary to the nature of the foundation's mission and challenged the foundation's board and staff to take a serious look at their work.

They viewed the task less as a reactive necessity and more as an opportunity to identify areas where they have gained traction, to determine how to invest more in programs and services that measurably move the needle, and to increase the capacity of nonprofits that demonstrate the best results.

The journey toward a new grantmaking philosophy and process lasted nearly 18 months. Committed to learning in every aspect of its work, the foundation scoured literature; engaged industry experts, colleagues, and grantees; and worked with its investment team at Commonfund Strategic Solutions to project what a spending change might look like.

They also asked themselves fundamental questions: Are we making a difference? Do our processes truly support our grantees? How can we improve? How can we give more, make a greater impact, and remain viable for the long haul?

Through its process of self-assessment and reflection,

stakeholders learned some valuable lessons, perhaps none of which resonated more than the value of learning itself.

In his 2011 book *Leap of Reason*, noted venture philanthropist Mario Morino eloquently expressed this idea:

We need to rethink, redesign, and reinvent the why, what, and how of our work in every arena. We need to reassess where we have the greatest needs so we can apply our limited resources to have the most meaningful impact. We need to be much clearer about our aspirations, more intentional in defining our approaches, more rigorous in gauging our progress, more willing to admit mistakes, more capable of quickly adapting and improving—all with an unrelenting focus and passion for improving lives.

Morino's words inspired the foundation to borrow concepts from the book as a basis for its evolution as a learning organization. The foundation also engaged the TCC Group to help them learn more about learning itself.

### NEW APPROACH, NEW PHILOSOPHY

Ultimately, the foundation's investment committee sought to craft a policy that better reflected the foundation's mission. In December 2011 a bold, more robust approach to giving was approved by the board. The approval was conditional that an increase in giving would yield an increase in impact, and a change in approach that included:

► **Grant Scope and Size:** The foundation's grantmaking scope was narrowed in order to "go deeper" with community partners, and in areas where it has gained traction and sees potential for impact.

Today this translates to a higher level of support for a smaller number of grantees, and the establishment and nurturance of relationships that reinforce learning together. Specifically, the board approved a \$12 million budget for 2012, representing 6.8 percent of the foundation's 12-month rolling average of its investments. As part of this spending policy, the foundation anticipates budgeting \$13 million in 2013 and \$14 million in 2014, subject to

annual review of outcomes and opportunities.

- **Grant Focus:** The foundation shifted from grant portfolios distinguished by size and scope of grants (short-term, responsive Community Grants; and long-term, root cause-oriented Transformational Initiatives) to three program areas: Healthy People, Strong Communities, and Resilient Families. Each portfolio is accountable for achieving specific outcomes and is managed by a senior program officer.

The foundation continues to use a variety of grantmaking tools, including general operating, program, capital, and discretionary grants, as well as program-related investments. Grants will also be made for building organizational capacity in the areas of collaboration, communication, leadership development, outcomes and learning, and policy/advocacy within the program areas.

- **Grant Management:** Several changes were implemented:
  - The foundation realigned its staff, committees, and grantmaking processes. The board now plays an enhanced role through the establishment of three program strategy committees. These committees, comprised of board members and industry experts, are charged with setting priorities for each strategy and ensuring that outcomes are being met. Each committee also plans one board meeting per year around a relevant theme to enhance learning across all areas.
  - The responsibility for grant review was elevated from one general committee to knowledgeable strategy committees, which now engage in site visits and make recommendations to the full board in order to prioritize this core function of the foundation's work.
  - A streamlined on-line application process was established to provide the foundation with a reliable and consistent evaluation tool. The new process requires potential grantees to provide comprehensive detail at the onset of the grantmaking process. This detail is discussed during the site visit with the goal of using this time to engage in a candid dialogue about the proposal, as well as other issues of concern to the grantee. This approach is intended to reduce the power imbalance inherent in the foundation/grantee relationship and elevate it to a level of mutual learning and respect.

## INTENDED RESULTS

The foundation's new grantmaking philosophy and process will provide a higher, more predictable level of support for grantees while enabling it to provide more resources to organizations that demonstrate effective outcomes against short- and long-term outcomes. In turn, the foundation will be able to fund what works in a deeper way by offering more comprehensive support to grantees whose work demonstrably advances its mission.

While it remains true to its core principles, the foundation's commitment to continuous learning ensures that it will remain a work in progress. Board and staff will actively seek and engage new ideas and approaches, nurture open dialogue with grantees and industry experts, and maintain inward-focused reflection. Doing so will position the foundation and its grantees to fulfill its mission to measurably improve health and well-being.

### Author's Note

*People often ask me, "Was reinventing the foundation's grantmaking approach worth the effort, and what advice would you give someone who is considering taking on a similar challenge?"*

*My answer to the first question is an enthusiastic yes. But I would add that our successes along this path were achieved despite formidable challenges. Given that this represented a reinvention of the foundation, I am pleased that we were able to continue grantmaking during this period with no interruption. At the same time, the process of redefining our grantmaking strategies and building internal capacity to administer them made it challenging for grantees to understand how—or even whether—they fit within this new model. It was challenging for us as well. One of the ways we met that challenge was by maintaining open lines of communication with grantees, letting them know what we knew—and sometimes what we did not know—as we were able to obtain information.*

*We learned additional lessons along the way as well. For one, do not lose sight of your organization's core mission. Ours is improving and transforming health and well-being, so the board had to consider whether giving more today might adversely affect our ability to give more tomorrow. Ultimately, we decided that making sizeable investments in organizations that demonstrably move the needle will help them perform better—and therefore advance our mission.*

*Lastly, be open and honest with your grantees, and recognize that you do not always have answers at hand. Doing so will build stronger ties and more mutually satisfying relationships.*

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