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Promising Strategies from a Donor Collaborative

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THIS IS THE FINAL BRIEF in a five-part series documenting the implementation of an economic mobility initiative supported by New York City's Change Capital Fund (CCF).[1] CCF is a consortium of New York City donors formed to invest in local community development corporations (CDCs) that undertake data-driven anti-poverty strategies integrating housing, education, and employment services.[2] This brief draws on interviews with CCF funders and grantees to offer insights on the effective operation of an innovative "democratic" donor collaborative.

Two distinct characteristics make CCF worthy of study. First, CCF is a formal donor collaborative involving an extensive group of cross-sector funders. Such an alliance involves "pool[ing] money, time, and talent to advance a shared vision with multiyear goals," or what is known in the philanthropy literature as "high-stakes donor collaboration."[3] Second, CCF is engaged both in capacity-building and in setting high standards for performance. This brief therefore aims to contribute to the literature on community development and philanthropy by highlighting promising strategies that may promote effective donor collaboration and help donors manage the dual objective of building organizational capacity while

1 A final report summarizing initiative lessons and outcomes will be published in 2018.

2 CCF's economic mobility initiative has focused on building the capacity of the CDCs to deliver coordinated and comprehensive services to program participants and to use data to inform program implementation. The four previous briefs in this series document these efforts in detail.

3 Seldon, Tierney, and Fernando (2013).

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setting ambitious program outcome goals with their grantees. Building organizational capacity here refers to improving an organization's comprehensive database system while fostering the staff's ability to produce reports that can inform programming, among other activities discussed in this brief. See Table 1 for a list of the grantees and descriptions of their CCF-related efforts.

TABLE 1

CHANGE CAPITAL FUND GRANTEES AND INTERVENTIONS

GRANTEE	INTERVENTION
St. Nicks Alliance	**NABE 3.0 initiative** integrates St. Nicks Alliance's outcomes-driven strategies in housing, employment, and education through one-on-one "coaching" to individuals and their households. **Priority area: 11206 zip code (Williamsburg, Brooklyn)**
Fifth Avenue Committee (FAC)	**Stronger Together** (FAC in partnership with Brooklyn Workforce Innovations, Red Hook Initiative, and Southwest Brooklyn Industrial Development Corporation) is helping local, low-income public housing residents gain access to adult education, support services, and job training and employment opportunities. **Priority area: New York City Housing Authority's Red Hook and Gowanus developments in Brooklyn**
New Settlement Apartments (NSA)	NSA is further developing its Community School model, as well as improving the coordination among and efficacy of its affordable housing organizing, Community School, College Access and Success Center efforts, and young adult employment services in order to ensure greater continuity and intensity of program participation. **Priority area: Mount Eden neighborhood of the Bronx**
Cypress Hills Local Development Corporation (CHLDC)	CHLDC is using real estate development strategies to increase affordable housing; offering neighborhood students a continuum of educational services that starts with school readiness and continues through college; and connecting local residents with jobs through its sectoral employment initiative. **Priority area: Cypress Hills/East New York, Brooklyn**

This brief comes at an opportune moment. There is growing interest in more formal collaboration among donors, given emerging discussions in the philanthropic sector about shared measurement,[4] concerns about shrinking federal and state funding to nonprofits,[5] and acknowledgment that a single donor organization may not be sufficient to help a service provider meet increasing demand or make headway in solving complex social issues.[6] It is an important time, therefore, to discuss what it takes to develop a well-functioning funding collaborative — one that retains donors over the course of the initiative, promotes thoughtful yet streamlined decision making, and defines goals and tracks progress toward their achievement.

THE CHANGE CAPITAL FUND

Established in 2013, CCF grew out of a preexisting donor collaborative, formed in 1996 as the Neighborhood 2000 Fund, that pooled the resources of corporate and foundation donors. After its first four-year cycle, it was renamed the Neighborhood Opportunities Fund (NOF). NOF led two initiatives: (1) the Initiative for Neighborhood and Citywide Organizing, coordinated by the Association for Neighborhood and Housing Development, which supported 15 nonprofit organizations to run neighborhood and citywide affordable housing organizing campaigns; and (2) the Strategic Neighborhood Initiative, coordinated by the New York City offices of Enterprise Community Partners (Enterprise) and the Local Initiatives Support Corporation (LISC), which invested in building the capacity of nonprofit housing developers and enabled them to increase their housing production.

After nearly 16 years of working together and jointly investing $25 million to advance housing development and advocacy in some of New York City's lowest-income neighborhoods,[7] NOF funders believed that more comprehensive strategies were necessary, in their own words, "to address the challenges of persistent, geographically concentrated poverty and its link to poor outcomes in education, health, jobs, housing stability, safety, economic mobility, and quality of life." NOF evolved into the Change Capital Fund, a four-year initiative (2014-2018), and updated its funding priority "to help established community-focused nonprofits expand economic opportunity

4 Albright (2012).

5 Stid, Powell, and Ditkoff (2012).

6 Peterson (2002).

7 NOF supported 34 organizations, which developed 5,500 affordable apartments across New York City.

for individuals and families."[8] The CCF donors set out, in particular, "to strategically support NYC's community development industry as it retools for a new era . . . a current era of scarce public resources."

FORMING A SUCCESSFUL DONOR COLLABORATIVE

The CCF collaborative includes foundations, private banks,[9] intermediary organizations (LISC and Enterprise), and the New York City Mayor's Office for Economic Opportunity (**NYC Opportunity**).[10] Donors joined for a number of reasons, including historic connections to previous incarnations of the fund, the desire for peer learning, and the ability to take part in a larger, more innovative undertaking than would be possible through their individual investment. With the pooled resources, CCF donors could participate in an initiative that involved funding not only for direct services but also for data capacity-building efforts, technical assistance, and an evaluation of the project. As one donor put it, "[The value is in the] ability to leverage all of the investments that everyone is making, and the collective knowledge of all the donors and what they have seen as best practice."

At the same time, the literature on donor collaborations points out the challenges inherent in such a partnership — it can be time consuming and involve a loss of autonomy.[11] CCF's successes in managing the inevitable tensions are important to document for the field. In addition, CCF illustrates how the goals of a collaboration inform the nature of its partnerships with grantees. CCF requires grantees to commit not only to implementing often ambitious program interventions (as described in Table 1) but also to setting relatively high standards for reporting outcomes, such as tracking job placements and wage levels for participants who receive a number of services. Since it has been widely observed that conflicts about goals and reporting can be challenging for community development initiatives,[12] it is important to understand how these tensions were managed.

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8 A planning and selection process in 2012-2013 resulted in initial grants to 10 organizations to help them develop proposals in response to CCF's multifaceted goals. CCF is also considering wind-down grants in 2018 for its current grantee cohort.

9 The private banks participating in CCF receive a federal **Community Reinvestment Act** credit.

10 Previously serving in an advisory capacity, NYC Opportunity joined the collaborative as a funder in the final year of CCF. Its participation in the initiative was thought to offer a gateway to city agencies and information; this was borne out when NYC Opportunity brokered an invitation for CCF to partake in the city's Nonprofit Resiliency Committee in 2016.

11 Albright (2012).

12 Brown and Fiester (2007).

MDRC's research on CCF's experience identified key issues that need to be addressed in order for a formal donor collaboration of this nature to work effectively. The two most prominent are (1) managing democratic governance and (2) setting clear goals for the initiative with consistent methods of monitoring.

Managing Democratic Governance

Even with growing interest in donor collaboratives, not much has been written about how such a collaborative may explicitly aim to promote democratic governance. CCF offers rare insights into these efforts, which may be instructive to other funder collaborations.

CCF requires each donor to pay a minimum of $50,000 per year, but donor contributions often exceed this amount. The average annual grant made by CCF's funders over the course of the initiative was $107,941; funders contributed $7.34 million over four years. Despite different financial contributions, each institution has an equal vote in all matters, as long as its representative is present at the meeting where votes are cast. This approach is known as the "democratization of philanthropy," since large funders and small funders hold equal clout in all collaborative decisions.[13]

CCF donors reflected that this practice emphasized the value of not only financial contributions but also issue or content expertise that smaller donors, such as intermediary organizations, can often bring to the table. For example, one donor said that "having groups in the room that are implementers [LISC and Enterprise] and not just funders is helpful," because they are closer to the work in neighborhoods and provide valuable insights and leadership.

Further facilitating these democratic processes is the work of the donor representative (donor rep), who manages the initiative.[14] CCF's donor rep possesses expertise and direct experience working in community development, philanthropy, and social services. Though never lobbying for a particular outcome or allowed to cast a vote, the donor rep has often served as a vessel for communication between donors and grantees. CCF donors said that the donor rep "provide[s] an in-depth and nuanced feedback loop

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13 Seldon, Tierney, and Fernando (2013).

14 Hiring a donor rep, or other staff members, is a more common practice for well-established donor collaboratives. The CCF donors warned that it can be tempting to view the donor rep's role as an administrative one because it involves organizing quarterly donor meetings and grantee cohort convenings. They advised fighting that inclination and thinking more critically about the donor rep's function as it relates to the capabilities that individual brings to the collaborative.

BOX 1

THE DONOR REP AS LIAISON

The role of the donor representative includes managing communications between funders and grantees. In the case of CCF, the donor rep brought grantee feedback to the donors regarding the prescribed technical assistance provided to the grantees in CCF's first year. The grantees told the donor rep that they did not feel the "one size fits all" model of technical assistance was helpful in meeting their individual needs or directly supporting their CCF-related work. Given the range of efforts taking place at the different organizations as well as their different capacities and goals for growth, grantees felt that customized technical assistance would help their respective organizations be more productive.

The donor rep was able to bring this to the donors for their consideration, a conversation that might not have happened with such efficiency without the donor rep. The decision to provide flexible technical assistance funding was a major shift away from what some donors described as the "cookie cutter" approach.

for the funder and grantee" because the grantees can be more honest with the donor rep than they would probably be with a funder (as illustrated in Box 1). This feature helps set CCF apart from other collaboratives led by a single "host" donor,[15] because the donor rep is not associated with any one funder, instead serving the collaborative as whole.

Finally, an active committee structure facilitated by the donor rep helped donors engage in extensive work related to grantee selection, technical assistance, communications (including broader public relations and media strategies), and evaluation.[16] Committees brought proposals to the full collaborative for a final decision. CCF donors felt that this process provided a way to accelerate thoughtful decision making across a large group, including a difficult decision to phase down funding to one of the initial grantees. Many, if not all, funders noted that they may not have agreed with every decision initiated by a committee and decided upon by the full group, but they certainly trusted and were satisfied by the process because it involved extensive deliberation. As one funder commented, "I don't think there was any decision that was a surprise or had not been talked through."

15 Peterson (2002).

16 The committees were voluntary; donors could determine their levels of engagement.

Developing Clear Goals and Aligning Monitoring Practices

All funders face the challenge of evaluation — defining what success looks like and how it will be measured. The challenge is especially acute for capacity-building initiatives such as CCF, since organizational development activities can appear more abstract than single programs or services. At a time when the philanthropic field is increasingly focused on metrics and quantitative data,[17] investing in organizational capacity building continues to be rare, and monitoring remains challenging.[18] The difficulty of defining outcomes was exacerbated within CCF by the multiple goals held by the donor institutions. As one funder commented:

> It was evident that each donor brought to the table their own organization's set of goals . . . On one end, there are donors with aspirations set on social impact funds, on preparing [grantees] to quantify outcomes and to support nonprofits to define their work. On the other end, [the funders] were comfortable thinking of this as a capacity building program with infrastructure and evaluation needs. . . . There is a spectrum of goals across donors . . . [and] a lot of openness to accommodate [them].

The desire of the collaborative to accommodate, rather than reconcile, multiple goals, including both capacity-building objectives and outcomes related to economic mobility, resulted in the initiative embracing many different metrics for success. Each grantee was expected to report on its own metrics related to economic mobility and to complete qualitative narrative reports documenting its organization-specific efforts to build capacity.

Unfortunately, it became clear in interviews that grantees' staff members did not always understand how the twin goals of organizational capacity building and producing program participant outcomes were related to each other. From the grantees' perspective, the general goal of the initiative was to build internal capacity. This entailed several steps: (1) developing comprehensive database systems, (2) using data to inform practice, (3) hiring staff members to focus on data management and evaluation, (4) increasing service coordination between divisions to boost the economic outcomes of their program participants, and (5) generating outcome data for external audiences to help attract funding for their agencies' comprehensive agendas. The rarity of this type of investment was not lost on the grantees, and they

17 Tatian (2016); Kania and Kramer (2011).

18 Wing (2004). CCF may be unique in this way — it views the grantees' ability to demonstrate their program advancement through quantitative data as an indicator of their organizational capacity.

expressed appreciation for CCF's choice to invest in capacity building. Many staff members across the grantees attributed the progress they had made to date to CCF. However, lacking a shared understanding of the initiative's multiple goals, some grantees said they were not prepared to deliver on CCF's quantitative reporting metrics. They had applied to the initiative in order to build their data capacity, and they said "[funders] assumed more was in place" in terms of the staff time and capacity required.

Later efforts to measure initiative success and monitor grantee performance *across* the initiative added to the confusion. To produce a clear picture of outcomes from the grantees' interventions related to economic mobility, CCF donors decided to implement common metrics to track program data across the grantees, while also retaining the initial requirement that grantees report on their own metrics and complete qualitative narrative reports. The common metrics required that grantees capture the total number of participants served by CCF-related programming, including, where applicable, job placement numbers and rates, the number of children and young people served in education programs, the number of adults served in education and training programs and their program outcomes, the number and percentage of adults earning a high school equivalency credential, and referrals made within or between the organizations.

All the grantees worked with **Public Works Partners** (PWP) to develop, define, and track these common metrics. According to PWP, the common metrics were based partly on outcomes the grantees were already measuring in some way, but they also included new indicators, such as household income and neighborhood saturation, that the grantees found more challenging to track. While the metrics were intended to measure progress across the initiative, another important goal was to provide the grantees with something common to work toward and to foster a learning community around tracking, measuring, and analyzing success in grantees' respective programs.[19] However, in interviews, grantees said that it was not always clear how the metrics related to their specific work, or whether the mandated common reporting practices were useful — for instance, whether they were using the data to inform their programming.[20] As PWP reflected, "it's quite difficult for staff . . . already strapped for capacity to think through this in the larger sense [using data to inform program-

19 A further goal for the common metrics was to help the grantees understand and model how they could potentially communicate about their outcomes to raise additional funding.

20 Having the grantees explicitly use data to inform programming would have fallen under CCF's data capacity-building goal and may have made reporting practices more meaningful to grantees.

ming].” While the grantees were grateful that CCF did not impose a funder-mandated database,[21] some found the common metrics time consuming and complicated; moreover, the metrics evolved during the initiative, leading grantees to express frustration about “shifting goals” and a “scramble” to produce results for the funder. For their part, some funders also struggled with the question of whether the common metrics approach was helpful to the grantees, rather than having each grantee simply report on the outcomes relevant to its specific work. In the case of CCF, aligning monitoring practices with initiative goals proved challenging for funders and grantees.

The lesson here is that donor collaboratives interested in both organizational capacity building and ambitious program outcome goals need to be specific from the outset about how the two elements of the initiative come together. Ideally, the collaborative would emphasize the connection at its launch and structure reporting from a similar goal framework. For example, donors might ask organizations that have a desire to build capacity to articulate a pathway by which these efforts would contribute to reaching higher performance outcomes, and then measure the progress toward goals in stages — starting with process measures (such as increased staff adoption of data systems), continuing with the use of those systems for performance improvement, and culminating in improved outcomes over time.[22] On the task of reporting common outcomes, donors might solicit proposals from organizations that provide similar services to generally comparable populations, such as providing education and employment services to low-income young adults. Implementing common metrics may be less challenging when all grantees are focused on the same type of work.

CONCLUSIONS

This brief offers insights into how to operate a donor collaborative effectively based on the CCF experience:

- **DEVELOP A GOVERNANCE STRUCTURE THAT CREATES A DEMOCRATIC ENVIRONMENT AND STREAMLINES DECISION MAKING.** CCF achieved this by granting all donor institutions equal voting power, regardless

21 All the CDCs receive funding from government agencies and foundations to support single-issue initiatives (for example, workforce or education programs), and this funding requires that they report on specific program outcomes and in many instances use funder-mandated databases. As a result, data on a single participant may be spread across a number of databases.

22 CCF did attempt this staged approach in the delayed introduction of its common metrics, but the connection between the two components of its work (capacity building and outcomes measurement) was not always clear to grantees.

of the level of their financial contributions. CCF also hired a donor representative, who helped guide productive conversations among and between donors and grantees. Additionally, CCF implemented subcommittees based on topic areas (selection, program, technical assistance, evaluation, and communications committees). Each committee was tasked with sifting through committee-relevant issues and information and presenting well-supported recommendations to the full donor collaborative for a vote.

- **SET CLEAR INITIATIVE EXPECTATIONS AND ALIGN MONITORING PRACTICES.** CCF aimed to build organizational capacity that *led* to better program outcomes, which distinguished the initiative from many others that focus on one goal or the other but not both simultaneously. But CCF grantee experiences with reporting suggest a need for funders to articulate their overall goals and be especially cautious in imposing metrics that do not relate to individual programs or the eventual outcomes of grantees' capacity-building goals. Funders may also need to phase in requests for more complex reporting to better match the evolving performance management capacities of grantees. In developing these kinds of expectations for reporting and adapting them over time, donor collaborations may themselves need to become learning organizations in the way that they hope to encourage in grantees.

A final report in 2018 will share more lessons learned throughout the course of the CCF initiative and discuss the policy implications of this work.

Read more about MDRC's approach to the evaluation

Learn more about CCF and the grantees

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