GAINING PERSPECTIVE

Lessons Learned From One Foundation's Exploratory Decade

A Report Commissioned by the Northwest Area Foundation

FSG

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Foreword

IF I WERE CHALLENGED TO LIST THE IMPERATIVES FACING FOUNDATIONS IN THE YEARS
AHEAD, HERE'S WHERE I'D START:

- We must take smart risks.
- We must commit for the long haul to the issues at the core of our missions.
- We must engage grantees and communities in relationships of mutual respect.
- We must seek sustainable change for the better, not quick fixes.
- We must learn as we go, adapt as we learn, and share what we find.

The organization I lead, the Northwest Area Foundation, believes in those ideas and tries to live by them for the benefit of our grantees and to increase our effectiveness. Furthermore, as I consider our recent history in the period from 1998 to 2008, it's clear to me that my predecessors also believed in them, and tried to act on them in innovative ways.

Yet, as you'll discover in *Gaining Perspective: Lessons Learned From One Foundation's Exploratory Decade*, the Foundation's attempt to execute a strategy animated by these ideas fell short in some very important respects. Specifically, we failed to implement our ideas consistently and effectively. What seemed excellent in theory became very thorny in practice, and we struggled to adapt successfully in response to the lessons reality taught us.

This report by FSG Social Impact Advisors does not evaluate programmatic impact or measure outcomes in communities. Rather, it focuses on our own ideas, processes, and practices in order to lift up lessons that we hope will be of use to peer funders and others. It examines one foundation's experiment with taking bold risks, making large, long-term commitments, and partnering directly with communities – exciting ideas about which we have learned some humbling lessons.

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In the period from 1998 to 2008, the Northwest Area Foundation made a big bet on an innovative approach to reducing poverty. Before that time, the Foundation awarded relatively short-term grants in a variety of program areas. In 1998, the mission was sharpened to a single purpose: to help communities reduce poverty. At the heart of the new strategy was a set of place-based, long-term commitments that were conceived as partnerships with entire communities. These fundamental changes were motivated by a desire to target our resources for greater impact and by a belief that, in an era of shrinking government, communities had to do for themselves what public systems had failed to do for them.

Gaining Perspective tells a story of bold leadership, big-picture thinking, innovation, and risk. Taking smart risks is integral to effective philanthropy. Our freedom to test new approaches is one of our sector's most dynamic characteristics. But at the Northwest Area Foundation

during the decade in question, we embraced the upside of risk without thoroughly assessing and preparing for the downside.

By the "upside of risk," I mean that philanthropy is uniquely positioned to venture into experiments that neither the private sector nor government has the temerity and flexibility to attempt. That spirit of experimentation – of adventure, even – lies at the heart of the social value we can provide. We must never walk away from that role. By the "downside of risk," I mean simply that if we're genuinely exploring new approaches, we're going to fail – not always, of course, but fairly often. It comes with the territory, and it comes at a cost. I believe we found ourselves unprepared for that reality from 1998 to 2008.

Crucially, I do not mean to suggest that the problem lay in our decision to focus on impoverished communities. We know that people struggling to make ends meet have the ideas, energy, and creativity to make things better for themselves and their children. We know that pathways out of poverty exist, and that it is possible to open new doors of opportunity for all. The Northwest Area Foundation has witnessed these truths in urban neighborhoods of concentrated poverty, rural places with high poverty rates, and Native American reservation communities. Poverty itself is not what made our approach from 1998 to 2008 unwieldy. Rather, the core problem was that we took multiple major risks at the same time. As you'll see in FSG's report, we simultaneously

- Reframed our identity from grantmaker to equal partner with communities, growing to resemble an operating foundation in many ways.
- Made multimillion-dollar, multi-year commitments to an untested strategy.
- Placed many of our biggest bets on newly formed organizations, and expected them to begin delivering on poverty-reduction plans in the near term.
- Adopted what amounted to a go-it-alone approach to most of our work, choosing not to engage with the public sector or with other funders interested in fighting poverty.
- Changed our governance model such that the Foundation's board of directors had little grasp of how our strategy was playing out on the ground.

Layered upon one another, these decisions placed unforeseen strains on our organization and on some of the communities in which we worked.

* * *

Though this story is very much our own, the lessons FSG describes address issues relevant to most foundations. These include defining strategy, developing productive relationships with grantees, engaging capably with communities, creating a learning organization, and positioning board members to govern effectively. We readily acknowledge that these lessons are not groundbreaking or unique. However, in the course of conducting dozens of interviews with friends and critics, former and current board members and staff, and outside influencers, we and our colleagues at FSG have learned that these challenges remain persistent across the field.

The lessons we've learned in this process, as well as from face-to-face conversations and surveys of grantees, have helped us refocus our organization and redefine our role in the region we serve.

Since 2008, the Foundation has adopted a new strategic framework and approach with the following characteristics:

- We have returned to our roots as primarily a grantmaking institution, rather than designing and operating our own programs.
- Instead of initiating new community-based organizations, we make grants to existing proven and promising organizations working to reduce poverty and build sustainable prosperity within our region.
- We have embraced the need to listen well and conduct ourselves with humility, recognizing that the greatest wisdom about building prosperity resides within communities themselves and within the organizations we fund, not within the Foundation.
- We have recommitted ourselves to the idea that no funder can afford to go it alone, and we actively seek collaborative opportunities.
- We're striving to communicate more clearly and more regularly with our grantees and to articulate our mutual expectations more precisely.
- We now directly consider the question of risk in all our funding decisions – not in order to shy away from risks worth taking, but to assess this dimension thoroughly on the front end.

There is more to be done. Our Foundation continues to evolve based on what we've learned. Like all organizations, we remain a work in progress. But I believe we are headed in the right direction, thanks in no small part to the creativity that our predecessors brought to the Northwest Area Foundation. We are grateful for the lessons their efforts have generated.

Sharing lessons learned – not just trumpeting success stories, but also examining missteps and false starts – has yet to become one of organized philanthropy's core strengths. But this may be changing. Funders including the William and Flora Hewlett, James Irvine, and Annie E. Casey foundations not only brought their lessons to light in groundbreaking reports in recent years, but each has encouraged foundations and nonprofits to examine and discuss what they've learned. We continue to benefit from their example. I hope this report, too, will spark important conversations and generate ideas for improvement. Given the difficulties facing our society in this decade, philanthropy is duty-bound to evolve toward ever-greater effectiveness. My hope is that by lifting up the lessons of a prior decade's work at the Northwest Area Foundation, *Gaining Perspective* will contribute to that evolution.

Kevin F. Walker
President and Chief Executive Officer
Northwest Area Foundation

Minnesota · Iowa · North Dakota · South Dakota · Montana · Idaho · Washington · Oregon

Introduction

IN 1996, THE BOARD OF THE NORTHWEST AREA FOUNDATION (NWAF, THE FOUNDATION) BEGAN
to ask questions about the level of impact its grantmaking was having within the eight-state region[i]
the Foundation serves and "realized that it had to transform the way it did philanthropy."[1] The
Foundation, led by its board of directors and then-President and CEO Karl Stauber, engaged in
strategic planning that ultimately led to a bold new approach announced in 1998:

> To invest $200 million directly in communities over the next 10 years – $150 million in long-term partnerships in up to 16 communities within the Foundation's eight-state region; $25 million in shorter-term efforts to help communities make connections and build internal knowledge; and $25 million to help rural areas build local leadership.[2]

Over the course of the next 10 years, NWAF eagerly pursued these objectives and learned many
lessons. In some cases, the Foundation's efforts resulted in successes and identification of practices
that led to positive results. In others, the Foundation's activities did not produce clear evidence of
success despite significant investment of time, money and other resources – and in the worst cases,
were considered by some to be harmful.

This report is a summary of the lessons learned during the Northwest Area Foundation's attempt to
execute that new vision from 1998 to 2008. This is a reflection informed by internal and external
perspectives and is not intended to be an evaluation of the impact or outcomes of the work that
was conducted during this period. It is also important to note that much of the Foundation's work
that was begun during this period is not yet complete – several of the partnerships established
during this period continue today, and the Foundation's efforts to learn from its activities are
ongoing.

In developing its understanding of the events that took place and lessons learned as a result, NWAF
engaged FSG Social Impact Advisors to read internal and external documents generated during this
period, speak with various stakeholders (including current and former staff and board members,
funding recipients and external stakeholders), and synthesize findings into the report that follows.
Our hope is that not only will the Northwest Area Foundation learn and act on the valuable lessons
learned from this period of its history, but that the field of philanthropy more broadly also will
reflect on and learn from the stories and lessons contained within this report.

[i]Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington, Oregon

The Foundation's 1998–2008 Strategy: A Bold New Approach

IN THE MID-1990S, THE BOARD OF THE NORTHWEST AREA FOUNDATION BEGAN TO QUESTION the impact of its grantmaking on the communities within its eight-state region. At the time, the Foundation had a wide-ranging mission and provided traditional grant funding to a variety of causes (including education, health and poverty reduction). In 1996, the board hired Karl Stauber as NWAF's new president and CEO. Stauber had previously worked within the Foundation and had left to serve the United States Department of Agriculture, focusing specifically on rural development policy.

At the time, many philanthropic funders had begun to question the role of foundations in testing "solutions" and then handing off those deemed "successful" to government agencies for replication. Responding to decreases in public funding, organizations such as the Annie E. Casey and William and Flora Hewlett foundations began to launch community-based initiatives. Stauber and the board agreed that government's role in the social sector had changed, noting, "The activist era of federal domestic policy effectively ended with the passage of the Balanced Budget Agreement in 1997, which shrank the discretionary, non-military portion of the federal budget." Traditional philanthropy, they argued, required "an activist federal government with broad public support – neither of which exists any longer."

The Foundation revisited its strategy and embarked on a journey guided by a new set of objectives. The initial mandate put forth in 1998 was somewhat broad, in pursuit of the following mission statement:

> The Foundation is seeking to help communities most in need create positive futures – economically, ecologically and socially.[3]

In its 1998 Strategic Plan, NWAF outlined a "Big, Hairy Audacious Goal": that in 10 years, at least 200 communities with whom the Foundation had partnered would be demonstrably better off.

A BOLD NEW APPROACH. In working toward this goal, the Foundation developed an approach that was intended to break with traditional foundation grantmaking and to increase its ability to reduce poverty in its eight-state region. This approach was grounded in several bold ideas about how philanthropy could be more effective.

NWAF'S BOLD IDEAS CIRCA 1998

MAKING A BIG BET: To no longer think of philanthropy in short-term, annual-budget terms; rather, to ask what can be accomplished with a significant, long-term investment ($200 million over 10 years).

SHIFTING FROM "FUNDER" TO "EQUAL PARTNER": To no longer view the core business of the Foundation as making grants; rather, to form authentic partnerships and work with partners as peers.

WORKING DIRECTLY WITH COMMUNITIES: To no longer work within the traditional paradigm in which foundations fund nonprofits to test new approaches and then hand off implementation of successes to the government for replication; rather, to work directly with communities to identify and implement locally appropriate solutions.

LEARNING AS YOU GO: To not wait to start working; rather, to "learn as we go" and make course corrections as needed based on key findings.

ADJUSTING APPROACH TO GOVERNANCE: Rather than have the board engage in specific funding decisions, to have the board approve a broad funding strategy and then focus strictly on oversight, delegating all specific grant/partnership decisions to Foundation staff.

In 1999, the Foundation revised its mission to hone in on poverty reduction (eliminating the ecological and social objectives) in an effort to be more targeted with its funding.

From Theory to Implementation: A 10-Year Timeline

FROM 1998 TO 2008, THE NORTHWEST AREA FOUNDATION PURSUED WITH VIGOR THE GOALS outlined in its new strategy. At the heart of its activities was a three-pronged set of core programs that would largely serve as the focus of its work.

NWAF CORE PROGRAMS AND ACTIVITIES
In pursuit of its strategic objectives, NWAF defined three core programs in its 1998 Strategic Plan:[4]
COMMUNITY VENTURES: to work intensively with selected communities for 10 years or longer, encouraging communities to identify what they need and how they will accomplish their goals.   **COMMUNITY CONNECTIONS:** to assist a wide range of communities – and organizations and individuals who care about communities – to create positive, sustainable futures by providing products, services and other mechanisms (including small grants) to respond to community needs and fill gaps.   **COMMUNITY HORIZONS:** to help selected rural communities develop and retain teams of leaders to strengthen communities and move them toward sustainability, executed through structured and staged training in partnership with local university extension programs.
The programs were to follow a specific sequence, with the Foundation first launching Ventures, then developing and implementing Connections, and lastly establishing Horizons.[ii]   In addition to the three core programs, the Foundation also invested in other opportunities for impact, such as Raíces (a four-state, four-year project focused on building community capacity in rural Latino communities in Iowa, Minnesota, Idaho and Oregon) and the biannual *Grassroots & Groundwork* conference (in which organizations can come together to share common experiences and proven tools). However, the bulk of the Foundation's focus was on the three core programs (and most heavily on Ventures, which received the lion's share of Foundation funding and resources as demonstrated in the Foundation's 1998 Strategic Plan, shown in Figure 1).

Beginning in 1998, the Foundation began exploration phases with several communities that had been identified by NWAF as potential sites for long-term Ventures partnerships. These exploration phases consisted of an 18- to 24-month planning period, during which the Foundation made investments of $600,000 or more in individual communities. Over the next several years, many of these sites would move from exploration to committed partnerships and be approved for multimillion-dollar, long-term funding.

[ii]The Northwest Area Foundation later removed the term "Community" from the three program names.

FIGURE 1.

MISSION: $200 million in over 10 years to help communities most in need create positive futures – economically, ecologically and socially.		
COMMUNITY VENTURES $150 million	COMMUNITY CONNECTIONS $25 million	COMMUNITY HORIZONS $25 million
Intensive partnerships Approximately 10 communities Long-term	Services, programs and small grants Larger number of communities Shorter-term	Rural communities with declining populations/resources Teams of leaders

In 2000, the board transitioned to a model of policy governance based on the Carver model. The manner in which this was implemented would ultimately have significant implications for the way in which Foundation board, management and staff worked together. Board oversight focused on whether core programs, viewed at a high level, were consistent with the Foundation's strategy. Board members removed themselves from programmatic oversight and distanced themselves from the Foundation's implementation of its strategic plan.

Two years later, in 2002, the Foundation was sued by a community member in Yakima Valley, Wash. The Yakima community had been engaged in exploration work with the Foundation to structure a possible Ventures partnership, and the Foundation had decided not to fund the community's long-term strategic plan. The lawsuit sought $1.25 million, funding that the plaintiff alleged NWAF had promised to the community to finish the strategic plan being developed. The Northwest Area Foundation contended that such a promise had never been made, and stated that in the two-year planning period community members had not been able to sufficiently bridge their differences in order to demonstrate that the community-wide plan could be viable. Although the suit was ultimately dismissed, it brought to light serious communications issues between the Foundation and the community.

In 2003, the Foundation entered into an exploration phase with its first "community of interest,"[iii] electing to work with an Urban Indian Coalition (UIC) across several cities. This work would prove to be among the Foundation's most challenging efforts undertaken during the 10-year period, and will be discussed further below.

Also that year, the Foundation formally launched its Horizons and Connections programs. Over time, the Horizons program was refined to include a more targeted focus on poverty reduction in small rural communities, and changes were made to the sequencing of training topics based on feedback from external evaluators. Horizons is largely viewed as a successful initiative in building local leadership capacity, although its impact on poverty is unclear. As an external interviewee noted: "I have watched the impact that [Horizons] has had at the community level. It has generated discussion where none existed – it has generated *hope*."

The Connections program had a slow start, but ultimately resulted in the launch of a database of community indicators and in the development of the Great Strides awards program that publicized

[iii]The Foundation was interested in bringing together communities of different types, not just geographical communities; communities of interest were not geographically based but were to be organized around cultural or other commonalities.

and rewarded effective poverty-reduction models. Through its Connections work, the Foundation also supported the Portland Economic Opportunity Initiative in providing assistance for replication of its successful workforce and micro-enterprise projects. At the request of NWAF, the Portland Economic Opportunity Initiative is working to share learnings with several cities in Minnesota.

In 2004, the Foundation began Ventures partnership explorations with several Native American communities (the Cheyenne River Sioux Tribe, Lummi Nation and Turtle Mountain Band of Chippewa Indians). Each of these communities was approved for partnership in March 2006, and although the most recent assessments show mixed progress toward NWAF's goals of reducing poverty, progress toward increased dialogue around poverty reduction is being made: "It is clear that the initiatives within each of the three reservation communities are catalysts of change for Indian Country."[6]

The following year, in 2005, the Foundation initiated the first of several "restarts"[iv] with communities that were already in committed partnerships under the Foundation's Ventures program. Key challenges that inhibited progress for several communities involved turnover of Foundation and community organization staff, and lack of agreement on approach and outcomes. The combination of these events, including the Yakima lawsuit, caused strong questioning of the efficacy of the Foundation's strategy among NWAF board members.

In January 2006, NWAF informed the Urban Indian Coalition (UIC) organizations that their strategic plan had been denied and they would not be receiving funding through the Ventures

NORTHWEST AREA FOUNDATION 1998–2008 KEY ACTIVITIES

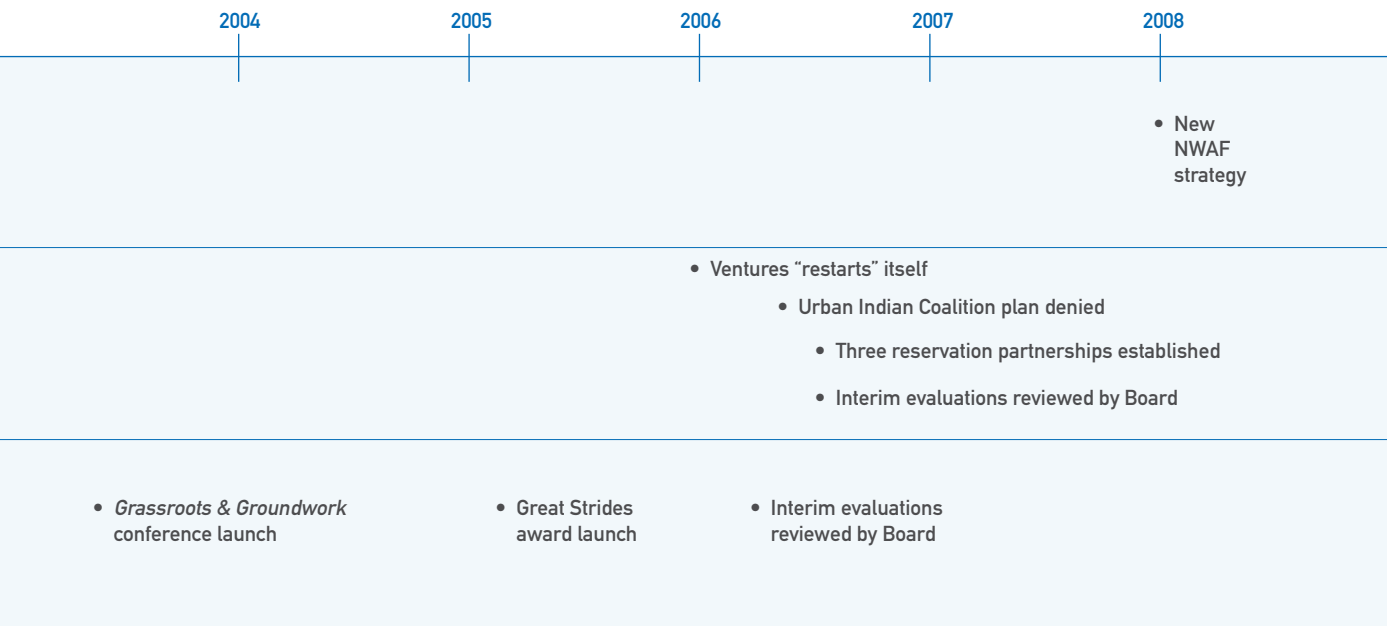|	1998	1999	2000	2001	2002	2003
Strategy and Governance	• New NWAF Strategy	• Mission revised to focus on economic poverty	• Carver governance model adapted			
Ventures Program	• Ventures launch, partnership explorations begin			• First of 10 Ventures partnerships established	• Yakima lawsuit	
Other Activities						• Horizons launch • Connections launch

iv"Restarts" meant that the Foundation and community went back to the strategic planning phase due to challenges in implementation.

program. Participating UIC organizations that had been engaged in strategic planning with NWAF over several years were "completely shocked and taken by surprise."[7] In the spring of 2006, opposing viewpoint articles authored by the Foundation and one of the UIC organizations regarding the urban Indian effort were published in *Responsive Philanthropy*.[8] Later that same year, the Foundation's board formed an UIC Task Force (that included Native American NWAF board members) to investigate the events that ultimately led to this public differing of opinion. This included hiring external experts to assist with investigating the chain of events and facilitating dialogue with Urban Indian Coalition leaders. Also in 2006, the Foundation's board members conducted a review of midterm evaluation information regarding each of the three core programs.

In 2007, NWAF began to take steps toward revising its strategy and moving away from the approach taken over its prior 10-year history. During this period, several NWAF staffers, including CEO Karl Stauber, left the Foundation to pursue other interests. In 2007, NWAF brought on a new vice president of programs and an interim CEO; the following year, the Foundation hired Kevin Walker to come on as the Northwest Area Foundation's new CEO.

Some of the ideas underlying the 1998–2008 approach were promising and remain relevant to funders today, while other aspects of the theory proved to be flawed; the difficulty of implementing NWAF's new approach clearly led to mixed results. The lessons that follow derive from the rich experience during this period of the Foundation's history.

NORTHWEST AREA FOUNDATION 1998–2008 KEY ACTIVITIES, CONT.

2004	2005	2006	2007	2008
				• New NWAF strategy

• Ventures "restarts" itself
 • Urban Indian Coalition plan denied
  • Three reservation partnerships established
  • Interim evaluations reviewed by Board

• *Grassroots & Groundwork* conference launch
• Great Strides award launch
• Interim evaluations reviewed by Board

Taking Stock: A Reflection on NWAF's Lessons Learned

AS ONE OF THE NORTHWEST AREA FOUNDATION'S FUNDING RECIPIENTS NOTED IN summarizing the learnings from the Foundation's work between 1998 and 2008, "the devil is often in the details." The Foundation pursued its new strategy with gusto, but failed to recognize the flaws in its theory and to exhibit a strong sense of practicality in translating its theory into action. By not fully articulating the approach to and implications of implementing its work, the Foundation experienced many challenges that led to the lessons learned described in this report. Many of these lessons may sound familiar, as they have been shared by others and continue to challenge many funders. NWAF is sharing its understanding of these lessons in the hope that shining a light on its history may help other funders to be more effective in their work.

The lessons learned throughout this period in NWAF's history address many topics relevant to most foundations – defining strategy, developing productive relationships with grantees, engaging capably with communities, creating a learning organization, and helping board members to effectively govern. Reflecting back on NWAF's "Bold Ideas," the primary lessons can be categorized as follows:

THEME	LESSONS
MAKING A BIG BET	■ Be clear about strategy before you implement. ■ Take risks, but manage them carefully.
SHIFTING FROM "FUNDER" TO "EQUAL PARTNER"	■ Communicate your objectives clearly. ■ Don't make it about the money. ■ Set expectations together with your partners.
WORKING DIRECTLY WITH COMMUNITIES	■ Understand the context of the communities in which you work. ■ Engage in community change with a long-term view. ■ Plan carefully to put the right resources in the right places.
LEARNING AS YOU GO	■ Identify indicators of progress upfront. ■ Put learning into practice. ■ Celebrate successes and learn from failure.
ADJUSTING APPROACH TO GOVERNANCE	■ Keep board members in touch with implementation. ■ Encourage board members to use their voice. ■ Ensure board members are effectively informed.

In the following pages, the Foundation will share its stories as an opportunity for other funders and social sector organizations to learn from its experiences.

MAKING A BIG BET

The Foundation enthusiastically pursued its new mission, but faced significant problems in clearly defining its strategy and managing the level of risk it was taking on.

Be clear about strategy before you implement

"There was largely agreement about the what, but there was philosophical disagreement about the how that was problematic for the whole 10 years."[v]

— Former staff member

"The Foundation got cold feet about what it was doing. It was interesting to see how the language changed over time, from 'community-driven' to 'community-based' to 'community-focused.'"

— Former staff member

"There were some success stories … they dealt with smaller pieces and with specific issues instead of being so broad."

— Former staff member

By definition, foundations are organizations that set out to tackle some of the world's most challenging problems. Carefully defining the scope that a foundation will pursue is necessary given limited resources, but can be a challenge for board members and staff who see significant and widespread need in the communities they aim to support. Importantly, lack of clarity at the highest levels of an organization can result in staff uncertainty about direction and challenges in determining how best to allocate resources.

NWAF set out with a bold vision to improve 200 communities "economically, ecologically and socially"[9] within its eight-state region. Within a year, the Foundation had narrowed its mission to reducing poverty, a step toward strategic focus. However, several examples indicate the Foundation could have gone further:

- Although the Foundation shifted toward a narrower focus on poverty reduction, in many ways its mission remained broad. NWAF's focus was spread over eight states, while engaging with rural, urban and reservation communities, in active pursuit of three brand-new programs that were each a significant departure from its old way of business. Its stated goal of reaching 200 communities with $200 million over the 10-year period while trying to cause significant change in levels of poverty across the eight-state region was a formidable challenge. A former staff member explained: "[Although the] Board said, 'Focus, focus, focus,' by the time we actually got to a focusing decision, several people said they weren't comfortable with focus. That tension remained throughout the 10-year period."

- Ultimately the Foundation board and staff agreed on a broad definition of the "what" (the Foundation's mission of reducing poverty), but did not come to agreement on the "how" (the specific steps NWAF would take in implementing its strategy). As a board member noted, "My uncertainty was the methodology, not the goal." This lesson became most evident

[v]All quotes are from internal NWAF/FSG discussions unless otherwise noted.

with regard to the Ventures program, which was the Foundation's most significant area of focus (and spending) during this period. As another board member explained, "The theory of change behind Ventures was never nearly as coherent as such a major initiative would require."

- As a result, staff members struggled to implement against a goal that was likened to "shooting darts at a moving target." Staff were at times "put on the spot" about NWAF's approach, and the lack of direction meant they "sometimes crossed the line in terms of what was promised or alluded to, without really having management's backing." Grantees were also impacted, and were often left confused as to what the Foundation was trying to achieve. In asking for guidance about how to meet the Foundation's expectations after a local plan was turned down for funding, a funding recipient was told by Foundation staff, "I'll know it when I see it." Another recipient recalled, "At the time, we were so confused. The goals of the first meetings were not clear." An external interviewee explained, "It felt like there was a lot of change in expectations. There were no guidelines, no procedures to follow."

LESSON LEARNED

Understanding where you are going, and why, is critical to ensuring that all feet are marching in the right direction. Although it can be difficult to narrow focus, documenting the logic behind what a foundation is trying to accomplish can go a long way toward assisting staff and grantees with understanding and moving toward a common goal. While overly defining a strategy can also be challenging (staff need autonomy within which to refine approaches and customize solutions for varying grantee needs), a lack of strategic clarity can thwart plans before they have a chance to get off the ground.

> "The Foundation tied up a really significant chunk of organizational resources for years into the future on an untested strategy."
>
> — Current staff member

Foundations play a unique role in creating social change. Similar to financial institutions that manage a portfolio of investments with varied risk and return, foundations can manage a range of activities supported by their program and investment dollars. The challenge lies in how to properly assess the risk associated with grantmaking and other activities – measuring the exposure of program-related work is a considerably different activity from assessing how much to invest in stocks versus bonds.

The Northwest Area Foundation launched its new vision of philanthropy primarily through its Ventures program. Designed to be a commitment of $150 million over 10 years, the as-yet-untested program represented three-quarters of NWAF's projected program expenditures for this period. In retrospect, the Foundation noted several dimensions of risk that could have been addressed more explicitly:

- *Balance of risk within the Foundation's programming portfolio.* The vast majority of the Foundation's funding was dedicated to a single program that created inflexible, long-term commitments for 10 years at a time. Various staff and board members commented that NWAF could have mitigated risk by partnering with other organizations such as foundations, nonprofits or governmental agencies. Partnerships would have allowed NWAF to benefit from the experiences, insights and resources of others. Furthermore, in reflecting on the decision to invest so heavily in Ventures, board members agreed, saying: "Very long-term commitments that tie up a large percentage of future revenues seriously undermine a foundation's ability to respond to changes in the external environment." As a result of Ventures contractual obligations that specified specific amounts to be paid annually over 10-year periods, the Foundation lost its flexibility to respond to new opportunities when ensuing financial downturns reduced its asset base. The lesson here is not to avoid considering long-term partnerships; as an NWAF board member explained, "The problem with making long-term commitments was not so much their length as their number, and the large proportion of Foundation resources that those commitments encumbered so far into the future." Several Ventures contracts remain active, and the Foundation continues to work within parameters defined by these long-term commitments today.

- *Discussion of risk vs. failure.* Perhaps as important as defining what a successful strategy looks like is defining what should happen if that strategy is not proving successful. As a staff member noted, "We didn't define success – and we certainly didn't define failure." A board member further stated that "risk wasn't talked about much" at board meetings.

- *Contingency plans.* Perhaps because failure wasn't considered as a possibility in the Foundation's strategic planning, when it came to the Ventures program a staff member noted that there was "no consideration for 'what if it doesn't work?'." While technically it

may have been possible for the Foundation to extract itself from the long-term contracts drafted for Ventures partnerships, the terms of the program were not designed to be flexible, expectations for long-term funding had been set with partner communities, and disengaging would have been extremely difficult. Thus, the Foundation had no clear path for correcting its course even when signs began to appear that its activities were not progressing as intended. A former staff member explained: "When you have a commitment of 10 years built into the design, and you've rounded up [partner communities], how can you make midcourse corrections when you've worked so long and hard to get this community behind the effort? You're putting significant dollars out there and are committed for 10 years – the program wasn't really designed to be nimble."

■ *Piloting the work.* In pursuing its strategy for the Ventures communities, the Northwest Area Foundation made long-term, multimillion-dollar commitments to a program that had not been tested on a smaller scale. Exploration phases were intended as an opportunity to decide whether to formally partner with a community, not to test how the Foundation would actually partner and engage with these communities. In hindsight, board members reflected that a for-profit organization would be highly unlikely to commit such a significant portion of its capital over several years on a new and untested product. Despite acknowledging that taking a long-term view is not in itself a bad idea, they raised questions as to whether NWAF should have made such deep commitments with so many communities without first testing the idea in fewer areas.

LESSON LEARNED

Assessing risk is as important for philanthropic organizations as it is for venture capitalists. Foundations should seek not to minimize risk, but rather to manage it responsibly and balance it across the programming portfolio. A board member shared this lesson eloquently: "The significant lesson is not to avoid risk altogether, but to assess its magnitude as carefully as possible at the outset, and to limit appropriately the share of the program portfolio devoted to high-risk initiatives."

SHIFTING FROM "FUNDER" TO "EQUAL PARTNER"

As the Foundation set out to transform poverty in its region, it looked to redefine its relationship with grantees from that of a provider to an equal partner. In the process, NWAF encountered challenges in being clear about its objectives, setting mutual expectations with partner communities, and addressing the power balance between itself and its partners.

Communicate your objectives clearly

> "The message changed from the Foundation from almost meeting to meeting. At the end, when we didn't get funded [for the full Ventures partnership], I wasn't surprised – we felt like we were being set up to fail."
>
> — Funding recipient

Strategic clarity is important for facilitating internal communication and providing guidance to staff; it is also critically important to enabling clear communication with partners and other stakeholders. As an external interviewee noted: "What you communicate informs what you can get [from partners]. If you don't communicate clearly, you can't expect to get what you want."

The Northwest Area Foundation experienced varying levels of success in communicating with its partners:

- In certain cases, NWAF found that setting clear expectations of success was extremely beneficial.

> "At the community level, [grantees and staff] understood goals and milestones [for the Horizons program]. We knew what outcomes we were driving toward, and we had objectives on poverty, leadership, building knowledge and awareness, building skills and mobilizing, taking action, and sustaining action and creating structural change."
>
> — Current staff member

- In general, where the roles and responsibilities of the Foundation and grantees were unclear, the work faltered. As described by a Foundation staff member: "We didn't have clarity or deadlines for communities. When we had that, they usually made it. When our deadlines weren't put out there clearly, communities floundered. We wasted a lot of effort and resources when that happened." A Ventures funding recipient described the situation as one that she "wouldn't put anyone through. The criteria we were given were really vague." Another funding recipient cited an example where Foundation staff and partner communities had dramatically different expectations: "There were shifting goals, and there were different understandings about gray areas. For example, [our community] thought it was individual community plans, as opposed to broad regional plans, that would receive $10 million in funding. We thought the total funding was actually per site. These were miscommunications that endured for months."

- Turnover of both NWAF staff and community participants made clear communication even more challenging. New staff members brought different perspectives on goals and objectives,

as did new community members who joined ongoing projects to replace others who had departed. A funding recipient explained, "There was a lot of program turnover, and there was huge turnover in who was coming to the meetings." Staff turnover may have contributed to the challenges the Foundation experienced with its Ventures work in Yakima Valley, Wash. "Between January 2001, when the foundation declared it was considering Yakima for its largesse, and August, when it abandoned the project, leadership of its team here changed three times for various reasons," noted Stephanie Strom of the *New York Times*. "The changes led to long hiatuses in planning and forced the community to retrace its progress for each new leader."[10]

- A further complication related to NWAF's challenges in clearly communicating with partners involved the Foundation's heavy use of external service providers to support its work. One staff member reflected: "In the early days of the programs, we used a lot of consultants; this was probably not a good idea. We probably should have done staff training and used our own staff. We sometimes ended up with mixed messages when using consultants."

LESSON LEARNED

NWAF found that being clear about the Foundation's goals and objectives is an important requirement for success. Where NWAF's expectations were clearly and realistically defined, community partners were able to engage and meet these expectations. However, in situations where expectations were unclear or shifted frequently, relationships with funding recipients suffered.

"When you announce that you are going to invest a lot of money in a community ... it becomes less about what the community thinks is needed and more about keeping the funds and making the funder happy. There is so much focus on getting the money."

— Former staff member

Traditional philanthropy involves an unbalanced power dynamic; funders provide money and are therefore perceived to have greater control, while grantees must compete for scarce funds.

A key objective of the Northwest Area Foundation was to create authentic partnerships in which grantees were treated more as peers than subordinates; the Foundation's intention in announcing large, long-term grants was to assure partner communities that they were aligned with the community for the long haul. However, the fact that the Foundation emphasized such large commitments and controlled its partners' funding distorted its relationships with grantees:

- The inherent imbalance of power between funders and recipients created challenges, despite the Foundation's stated desire to work with partner communities as peers. One former staff member asked, "How do you even the playing field between communities you're trying to work with versus a foundation that has a lot of money and is seen as the power broker with all the control?" The interviewee went on to say, "There are just such uneven dynamics there – it felt like no matter what we said and did, we couldn't get over the power differential."

- The power imbalance was distorted even further within the Ventures program by the Foundation's approach of "leading with money" – talking about the potential for significant long-term funding from the start of the exploration/relationship development phase. Ten million dollars is a significant opportunity for many communities, particularly those targeted by the Foundation precisely because they were struggling with significant poverty and therefore lacking in resources. Focusing the conversation from the start on the "pot of gold," rather than on the objectives of reducing poverty, created an environment in which community partners were motivated to do whatever was necessary to receive Ventures partnership funding. "At that time, NWAF presented its strategy by telling us we had an opportunity to receive a significant amount of money and we wouldn't want to mess this up. They told us it was the opportunity of a lifetime," explained a Ventures funding recipient. "We tried to be on our best behavior for the first two years because we didn't want to lose this opportunity," she continued. "It would be our fault if we lost it. We felt that we could suck it up and take [the challenges of working with the Foundation] if it would help our community." Perhaps the most dramatic example of this power imbalance was seen in Yakima Valley, Wash., when a community member sued NWAF. The plaintiff alleged that the Foundation had made funding promises, stating, "The Foundation raised our hopes and made a lot of promises orally."[11] The Foundation disagreed, noting, "At no time did we commit to any specific level of funding."[12] Although the suit was ultimately dismissed, it brought to light the challenges faced when working with resource-poor communities that are aware of significant amounts of potential funding.

- As a result of the power imbalance and lack of clarity around expectations, when the Foundation began to push for data demonstrating results, "Our partners on the ground saw this as a judgment operation, not as learning," noted a former staff member. "They thought they'd be punished if they didn't produce the outcome that we had collectively come up with. They fundamentally didn't believe in many cases that this was not intended to be a judgment activity."

- Furthermore, because NWAF had in many cases created new organizations within the Ventures communities, a sense of dependency emerged. Interviewees described some of the new organizations as "waiting for the Foundation to tell them what to do" and noted that in some cases, the organizations were not seeking other sources of funding because they felt NWAF would continue to provide any needed funds.

Despite the difficulties faced in developing equal partnerships, the Foundation was able to develop strong relationships with grantees, even in cases where initial interactions were perceived as significantly imbalanced and challenging (see "Coming Full Circle: The Northwest Area Foundation and Urban Indian Coalition's Tale of a Difficult Past – and a Bright Future" for a detailed case study of the Foundation's attempt to develop a Ventures program around a community of urban Indians across multiple states). When engaging with the Urban Indian Coalition, the Foundation and partner communities got off to a difficult start that was compounded by constantly changing expectations. "When we first worked with them, there were diagrams and sheets of paperwork, but the Foundation didn't adhere to any of it," Nichole Maher, executive director of the Native American Youth and Family Center (NAYA) stated. The Foundation found that ultimately they were able to establish a strong relationship with this community by focusing on a more authentic relationship with NAYA, a pre-existing, community-based organization. "Today, we don't have any of that," she continued. "We just have a relationship, and it is so much better. We have shared goals now that we all understand – to empower our community and reduce poverty. And the Foundation understands the need to respect our community's expertise – there is a lot of respect now."

LESSON LEARNED

The nature of a funder-recipient relationship makes equal partnership challenging, if not impossible, to achieve; it is important to be realistic about the role each party can play. Recognizing and acknowledging the inherent power imbalance, building a relationship first before setting funding expectations, and providing support beyond grantmaking dollars can all contribute to a more authentic form of partnership.

> "Foundations tend to perform better when they partner more with nonprofits and community organizations and allow them to participate in identifying needs and solutions to community problems. This work felt too driven by the Foundation."
>
> – External interviewee

Particularly when working in a partnership with other stakeholders, it is important to clearly express your expectations as well as listen carefully to the expectations and suggestions provided by other parties. This can help ensure clarity of expectations on all sides, and can surface differences where they may exist.

The Northwest Area Foundation was described by many as highly directive throughout this 10-year period, particularly when it came to the Ventures program. In contrast, staff pointed out that in the Horizons program, "Mutual expectations were set upfront regarding what we were trying to do and how." A lack of listening to Ventures communities created perceptions that NWAF did not respect its community partners: as a current staff member noted, "Under the rhetoric of respecting communities, we were perceived as not respecting them – if you didn't agree with the Foundation, you were wrong."

LESSON LEARNED

Two-way communication with partner organizations about shared expectations shows colleagues that their input is valued and reinforces the notion that the partnership is authentic. By not demonstrating that the Foundation was actively listening to partners' perspectives, NWAF strained relationships and was perceived as being more directive than the original strategic approach had intended.

COMING FULL CIRCLE: THE NORTHWEST AREA FOUNDATION AND URBAN INDIAN COALITION'S TALE OF A DIFFICULT PAST – AND A BRIGHT FUTURE

The Northwest Area Foundation has a long history of working with Native American populations to address social issues. In 2003, the Foundation approached Native American leaders in five cities (Seattle, Wash.; Portland, Ore.; Billings, Mont.; Rapid City, S.D.; and Bismarck, N.D.) and asked if they would be interested in working on poverty-reduction initiatives within their urban Indian communities as a Ventures project. As Nichole Maher, executive director of the Native American Youth and Family Center (NAYA) explained, leaders from these cities "then launched into a strategic planning process with [NWAF] that would prove disastrous."[13]

Two years later, in 2005, the Foundation informed the Urban Indian Coalition (UIC) organizations that their strategic plan had been denied and they would not be receiving funding through the Ventures program. According to the urban Indian stakeholders, this came as a complete surprise and as the culmination of a challenging working relationship with the Foundation. The Foundation, on the other hand, believed that the coalition had presented a plan that did not meet the Foundation's standards for funding and that therefore did not merit continued work past the exploration phase. In 2006, articles presenting the different perspectives on the Foundation's decision were published in *Responsive Philanthropy*.[14] Later that same year, the Foundation's board formed an Urban Indian Community Task Force to investigate the events that ultimately led to this very public differing of opinion.

The key problems articulated by stakeholders involved in this effort reflect many of the lessons learned put forth throughout this document:

MAKING A BIG BET: The Foundation exhibited a lack of clarity around its strategic intent, demonstrating what Maher described as the "questionable philanthropic practice of one foundation engaged in vaguely defined poverty reduction work. … To suggest we were trying to track a moving target would be to assume that a target existed at all."[15] This sentiment was echoed in the findings of the Task Force, which noted, "The Foundation staff had one set of plans and values in their heads and the urban Indian communities had a totally different set of plans and values in their heads."[16] Six months before the UIC's business plan was due to NWAF for consideration of a full Ventures partnership, NWAF suddenly expanded the number of communities involved from an initial target of five cities to a set of 30. Community members questioned the viability of this strategy, noting: "Dividing the total of $14 million by 30 cities and dividing again by the 10-year payment plan, we arrive at about $47,000 per city per year. In a city like Seattle, that would equate to about 58 cents per AI/AN citizen per year. … it would not dent overall poverty."[17]

SHIFTING FROM "FUNDER" TO "EQUAL PARTNER": NWAF failed to authentically engage with the urban Indian communities and did not treat them as an equal partner; instead, the Foundation was perceived to be declaring that the UIC's "solution to [their] problem doesn't work for us."[17] A strong focus from the very beginning on the significant amounts of funding involved in the project also led to "a misunderstanding" that "there was potential to bring $20 million to Native Americans in Portland alone. Other community groups felt the same – each believed there was a 'mythical pot of gold' at the end of this strategic planning process."[18]

WORKING DIRECTLY WITH COMMUNITIES: The Foundation put forth its own definition of an urban Indian "community," assuming that Native Americans from a variety of tribes, states and cities would be similar enough to form a single unit of organization. As perceived by the urban Indians, this "assumption that these 30 urban Indian sites were sufficiently similar to warrant this definition of regionalism was … dangerous."[19] Furthermore, the Foundation explicitly stated that poverty-reduction solutions were to be developed by the communities themselves. However, the Foundation deemed the UIC's proposal unacceptable, implying that the Foundation

knew better than the communities themselves what could work within their context. "The biggest reason for NWAF not funding the UIC strategic plan may have been the definition of poverty," stated Nichole Maher. "Most Native Americans do not define poverty in dollars and cents. Poverty is measured by one's ability to exist. To practice your culture. To speak your language. To get a fair and quality education. To be sufficiently housed. To not have to choose between medicine and food. And that was how we defined poverty for the UIC Ventures project."[20] Furthermore, the Foundation excluded existing community influencers from the discussions, creating a sense that these organizations were not welcome or viewed as productive assets. NWAF staff later asked, "How do we help communities develop new decision-making capacities that support – instead of threaten – existing structures?"[21]

LEARNING AS YOU GO: The Foundation's lack of strategic clarity made it hard to understand how to measure progress, and the "lack of clearly established timelines and milestones remained of high concern to the Urban Indian communities involved in the planning process."[22] This made it challenging for either party to determine how to course-correct at any point along the way.

ADJUSTING APPROACH TO GOVERNANCE: NWAF leadership did not have sufficient oversight/understanding of what was happening on the ground. "When Urban Indian community members raised concerns about the questionable leadership and oversight, they were told not to contact senior leadership and the Foundation CEO or it could result in their becoming ineligible for partnership. Along with changing leaders, the changing staff seemed uncertain about key management issues and contributed to the confusion of the project."[23] UIC members explicitly noted that senior staff, in all likelihood, were unaware of what was happening, telling Task Force members that they felt it was "doubtful that higher authorities within the Foundation even knew."[24]

As a result of the Task Force findings, the board developed a set of 10 recommendations (see Appendix 2).

As the board became increasingly aware of problems such as the UIC effort, it took decisive action. One interviewee affirmed: "There is a Chapter Two to this story. This is where a board that had a major problem dealt with it." In addition to forming the Task Force, it was perceived that the Foundation "did everything possible to address the problems."[25] Most importantly, the Foundation took steps to re-engage with the UIC, demonstrating greater respect and a true sense of equality in the process.

Today, the relationship between the Foundation and the UIC has undergone "a shockingly great improvement,"[26] and NAYA views the Northwest Area Foundation as one of its greatest partners. Although NWAF is not a source of significant ongoing funding, NAYA believes the Foundation's efforts to make introductions and leverage other sources of funds have been more powerful than grantmaking alone. At a community powwow in May 2010, NAYA honored the Foundation in front of more than 3,000 citizens to celebrate the contributions NWAF has made to its people.

According to NAYA, the Foundation has made a real, measurable difference, helping the nonprofit gain assets that can be used to help the community fight poverty moving forward:

"We feel as a community that had it not been for their partnership, investment and flexibility, then we would not have been able to purchase [the organization's building]. By this time they believed in us. They had flexibility and they trusted us. We now sit on $14 million of assets, not counting the resources coming to our people as a result of this site. We have the power, influence and confidence to do anything now. It's true – and exciting."[27]

WORKING DIRECTLY WITH COMMUNITIES

Engaging productively with communities is often a challenge and remains a topic of significant interest, especially for place-based funders. The Northwest Area Foundation learned several lessons about working directly with partners in their own communities, and hopes that other foundations can learn from the stories shared below.

Understand the context of the communities in which you work

> "You can't fly in and fly out of a community and profess to be part of the community. You have to invest in organizations that are on the ground and know what they are doing, ones that have established relationships with the communities."
>
> *– Former staff member*

> "A great foundation does its work by understanding it doesn't know everything, but is uniquely positioned to find the people who do know."
>
> *– Current staff member*

Several interviewees noted that "context is critical" to successful community engagement. Without an understanding of the specific cultural, geographic and historical experiences of a community, it is quite challenging to truly understand the problem as perceived by community members, and therefore to design an appropriate solution that citizens can buy into and support.

A key component of the Foundation's long-term strategic approach was the notion that communities would contribute to defining their problems and developing solutions. In implementing its vision, NWAF came across four important learnings:

- *Communities should be self-defined.* In order to achieve maximum interest and buy-in from stakeholders, it is important that a community engagement effort start with a definition of "community" that is relevant and meaningful to those affected. A fundamental flaw in the Foundation's theory of change, particularly with regard to Ventures, was that the Foundation could define a given community – both in terms of the members that collectively made up that community, and the way in which the community would understand the problem at hand (poverty reduction). A staff member further stated: "You need to work with communities that already have a sense of wholeness or agency around them. You can't come in and tell a place that it is a community. You need to be responsive to the organic nature of what it means to be a community." Interviewees shared stories of Foundation-defined communities that covered vast geographies, traversed geographic barriers, and included groups of citizens that had little in common with each other. A staffer recalled, "One of our major issues was that what we called communities were of such a scale and nature that they weren't really communities in terms of being self-identified." Another staff person agreed, noting, "We had a very romantic notion of what a community was." NWAF's experience in Yakima Valley, Wash., highlights the challenges of defining "community" from an outside perspective. "Our expectation was that the diverse ethnic groups in this valley (Hispanic, Native American and Caucasian) would come together to develop a single strategic plan to reduce poverty throughout a large geographic area," explained a board member. "What we eventually learned was that the three ethnic groups had a history of disconnection from (and distrust of) one another that could

not possibly be overcome by staff or consultants coming into the valley from outside. In the end, the Foundation decided not to continue these unpromising partnership planning efforts. While that decision was probably the best outcome for all concerned, it still produced a sense of betrayal among some community members."

- *Cultural understanding is vital.* Authentic engagement with individual communities is likely to be difficult unless parties are aware of each others' histories, traditions, values and beliefs, and understand how these may impact communication methods and rules of engagement. In the Urban Indians Coalition project, the Foundation found that a lack of cultural sensitivity led to significant challenges (see "Coming Full Circle: The Northwest Area Foundation and Urban Indian Coalition's Tale of a Difficult Past – and a Bright Future"). The Foundation and the Indian communities held widely differing views of the definition of poverty, and therefore had different ideas about how to address their conceptions of the problem. Foundation staff members also noted that Horizons efforts didn't translate well into Indian country, and that the initial effort to develop a Ventures community of interest around Latino citizens in rural areas was a "cultural mismatch."

- *Communities have wisdom that should be incorporated into planning.* In several of its Ventures communities, the Foundation opted to create new organizations rather than leverage existing community-based organizations because it strongly believed in bringing new and formerly marginalized voices to the table. As staff noted: "[There was] a premise that the existing structures didn't work, so we needed something new that would allow more of the community to participate. We believed the communities had the energy and could come up with approaches [to solving poverty]. That's why we tended to talk about it as a new space, and a safe space, for people to become involved." As this interviewee went on to explain, this approach resulted in an unintended consequence: "What we did was exclude the existing power structure." In its zeal to include unheard voices, the Foundation "sent a message that we didn't realize we were sending – that existing institutions were part of the problem." In retrospect, several interviewees observed that the notion that a foundation located outside of a community can create a "community-based" organization is itself questionable.

Most interviewees echoed the sentiment expressed by this former staff member: "One of the most enduring lessons [of this period] is to be more aware of the wisdom that exists in communities and organizations to enhance and support the work that NWAF has been trying to do. We went into the initiative with too much confidence in the Foundation's knowledge and too little in the intelligence of our partners." Community partners expressed their frustration with the Foundation's inability to recognize the expertise residing within the communities, in one instance noting: "For 2½ years, we went through a grueling, condescending process. We had a consultant to teach us how to write a vision, goals and objectives. They knew nothing about [our community]; we had people in the meeting who had created nonprofits, who were highly educated and skilled. [The Foundation] was convinced that they were going to teach us everything." This funding recipient went on to state, "It's good to work with existing organizations as long as you can verify that the organization is embedded in the community. But NWAF kept trying to force us to create a new organization that was 'community-driven' – which was a slap in the face to the 26 organizations already here."

- *Assessing community capacity is critical to success.* One Northwest Area Foundation staff person reflected: "The biggest mistake we made was that we didn't pay enough attention to whether communities were ready or not. I think there's responsibility on the part of an external funder, whenever you go into a long-term relationship, to spend a lot of time thinking about what it may take for a community to succeed: Is there enough in place for that community to be ready?" Instead, the Foundation "assumed money would solve all problems. Money is good, but if you don't have leadership or capacity, even 10 years won't get you there." The Foundation found that capacity was a key factor in attaining positive outcomes, believing, "In hindsight, we recognized that when any partnership had strong leadership, it made a huge difference in their success." NWAF's experience with one of its first Ventures communities, Miner County in South Dakota, demonstrated this principle. The Foundation's partner in Miner County was an existing organization on the tipping point of bringing community-based poverty-reduction efforts to local citizens. The Foundation was able to recognize the organization's potential and provide enough support to help them achieve significant change in the local community.

These elements are all necessary conditions for meaningful, successful, and sustainable community engagement and change. This was borne out in NWAF's experience with Horizons communities. Through this work, the Foundation learned to focus on small, self-defined units (small rural communities); community experience was leveraged through the use of local university extension organizations; and communities opted into the program, which required a degree of assessing themselves as ready to engage. A staff member related the following story of a particular Horizons community:

> A woman called me from one of our Western states. 'I just want you to know how much I appreciate the Horizons program,' she reported. She went on to explain that the only flower shop in town was going to close, and it took a death for the community to see how important a flower shop actually was: 'When we have to drive 75 miles to get flowers for a funeral, that's pretty bad.' She continued by stating that someone connected to the local Horizons program had stepped up and said that the shop couldn't be closed; an accountant that was part of Horizons offered to help the owner clean up her finances. Another community member who had a business suggested she work out of his basement to save money for rent. Ultimately the whole community came together and kept her business open.

LESSON LEARNED

Foundations should be realistic about the conditions that must be in place prior to engaging with a community in order to achieve success. A lack of attention to community context can have serious repercussions for both grantees and funders. NWAF found that developing programs sensitive to community context involves four elements: ensuring communities are self-defined; understanding cultural norms; working with embedded organizations that have significant community knowledge and influence; and assessing the community's readiness for change.

"Something as complex and large as reducing poverty takes a lot of time."

– Funding recipient

Successful community engagement requires more than significant investment in understanding a community's context; it also requires a great degree of patience, as results can be many years in the making.

In NWAF's case, the Foundation spent several years upfront engaging communities before committing to long-term investments. Even then, the Foundation found it had to wait for capacity to be developed – particularly in cases where community organizations were being started from the ground up.

- *It takes time to establish trust.* As a former staff member explained, "Ten years seemed like a really long time. But from the community point of view, it was a very short time. We naively thought we could go into these areas, that we were smart and had money, and that we'd find people who shared our mission and ideals. We believed we would bond with those folks and march forward. We weren't prepared for the slow process of earning trust."

LESSON LEARNED

It is important to consider longer time frames when working toward community change, as it takes time to develop trust. Problems with higher complexity and unclear solutions require longer time horizons before results should be expected.

"We had people with strong community organizing insights, but after getting in [to these communities], having organizers was a detriment. They were trying to organize, but you can't do that from 500 miles away."

– Former staff member

When making a transition from traditional grantmaking to working directly with local community organizations and citizens, changes in skills, roles and responsibilities are likely to be required. It is important that the resources being applied to a given scenario are appropriate.

The Northwest Area Foundation made a choice to move away from the more traditional practice of making grants toward operating programs directly within communities. Although the Foundation attempted to adjust to its new role, several learnings emerged:

- *Staff skills should match program needs.* In some cases, the staff that the Foundation relied on did not have relevant and appropriate skill sets. One staff member said, "Some of [the struggle we had] was that the folks we had hired to do field work were anti-institutional, and they saw tribal government and social services as a problem. [Thinking they could adapt] was our mistake." Another staff member continued, "After entering these communities, we needed people who knew about community development, not organizing."

- *It is possible to bring additional voices to the table.* A board member noted, "Within Ventures, there were some positive lessons that we learned around the value of encouraging inclusiveness, and encouraging communities to reach out and bring people into the picture who would ordinarily be excluded or would exclude themselves from community projects."

- *Distance makes it harder to understand what is taking place.* A former staff member questioned: "How do you build trust at a distance? In my head it's oxymoronic. We honestly thought we could. And maybe you can – but you'd have to build it by leveraging a key institution, not starting from scratch with an entire community." Another staff member highlighted the challenges in attempting to work deeply with a community without a local presence: "There are foundations who engage with communities all over the world, but they usually have an intermediary, so it's light touch. We were attempting to be high touch, and in many cases were starting new organizations. But we were doing this from afar, which made it hard to really see and understand what was happening."

LESSON LEARNED

A high-touch approach to community engagement will stumble without a thoughtful and intentional approach. Through its experiences, the Northwest Area Foundation found that failing to match staff skills against program needs created significant challenges, while engaging stakeholders who might not otherwise raise their voices proved to be valuable. NWAF also found that working from a distance without an embedded local partner made it difficult in many cases to build trust.

LEARNING AS YOU GO

A significant notion underlying NWAF's new approach in 1998 was that the Foundation would implement its strategy while intentionally directing resources and attention toward learning and refining plans along the way. Despite the allocation of resources, however, the Foundation experienced significant challenges with developing an effective "learning organization"; key lessons are summarized below.

Identify indicators of progress upfront

> "We didn't really know what the expected outcomes were and because of this we didn't have anything to measure against."
>
> — Funding recipient

> "We didn't build in effective evaluation from the very beginning. Board turnover and media inquiries raised questions about what the programs were accomplishing – we didn't know how to express whether we were on track."
>
> — Funding recipient

Philanthropy's great challenge is to find effective ways to impact significant social issues with limited resources, and evaluation is an important component in determining whether objectives are being met. Unless goals are specified from the beginning, it can be nearly impossible to determine what, if any, impact a single organization's resources are having against its mission. The more complex/broad a foundation's strategy, the more difficult this can be.

One problem with NWAF's ability to learn during this period stemmed from the challenge in defining the Foundation's ultimate objectives. The Foundation's difficulty in translating its theory into action also meant that NWAF struggled with being clear about its goals.

- *Track the right indicators of progress.* Because the expected outcomes weren't clear, what to monitor was not clear either. This resulted in tracking and reporting on a wide variety of measures that were not useful for informing changes in strategy. As a staff member noted, "There was so much data, sifting through it was tough."

- *Translate data into knowledge and adjust implementation.* Unfortunately, the data that was being collected was so voluminous, and the lack of clarity around what specific pieces of data were most valuable was so significant, that translating data into knowledge and adjusting implementation did not always happen. Staff explained, "There wasn't an emphasis on learning – we didn't look beyond the documentation."

LESSON LEARNED

It is important to build evaluation into programs from the beginning to ensure clarity regarding the program's objectives and to be sure that energy expended on tracking and measurement is credible, relevant and useful. Understanding what decisions are being made, by whom, and what information is needed can go a long way in determining a program's evaluation needs.

> "Reports were not read and discussed / digested / absorbed. They basically sat on a shelf or in the computer and after a while you couldn't find them. The lessons were not heeded."
>
> – Former staff member

> "NWAF's core programs were so competitive that there were lots of things that were being learned within programs [but not shared across them]. For example, in Connections, [the lessons] about tools, strategies and products would've been helpful in Horizons communities but weren't known."
>
> – External interviewee

Many organizations talk about being "learning oriented," but putting learning into practice often requires an investment of significant time and resources, including dedicating technology, processes and people to organizational learning.

Although the Northwest Area Foundation explicitly made learning a key component of its strategy during this period, the Foundation ran into challenges in learning from its work and sharing lessons across the organization.

- The Foundation made significant investments in evaluation learning systems, targeted program-level evaluation and cross-team meetings. Despite these investments, lessons were not translated into actionable knowledge or applied across the Foundation. A former staff member explained: "We didn't have a formalized way of sharing [lessons]. A lot of information was written up and circulated. But I'd say we didn't go far enough, to determine how we could actually apply the learnings – we weren't as thoughtful as we should have been." A board member also noted that although external stakeholders throughout the eight-state region were providing feedback on the Foundation's approach, there was a failure to "keep our organizational ears open."

- After the initial pilot of the Horizons program, Horizons staff took a "mini-pause" and identified key lessons that were incorporated into future phases of the work. A key finding for staff was that "forced clustering of communities didn't work well." The Ventures program was pursuing a similar model of proposing cooperation between communities that may not have naturally come together. Although staff recognized that "there was an attempt to share this learning with Ventures staff," it somehow "didn't happen."

LESSON LEARNED

The Northwest Area Foundation has learned that evaluation and learning requires a complex and integrated system of supports – including clear and accessible processes, technology and people – in order to identify learnings and share them across programs for maximum impact. These supports must also be matched by opportunities for listening to external stakeholders and incorporating learnings from others.

Celebrate successes and learn from failure

"The Foundation had launched a bold and untested initiative, and there was a tendency to hope it would work out. There was a natural reluctance to see that it really wasn't working. There was a natural denial about some of the bigger failings."

– Board member

"We need to give ourselves permission to make changes along the way, and to not be afraid to do so. We are going to make mistakes, and should be able to recognize this. Ultimately that's how you learn the most."

– Current staff member

Developing an environment in which learning is celebrated – and in which failure, while not pursued, is considered to be a learning opportunity rather than a cause for punishment – is critical to enabling staff to effectively assess their actions and make course corrections as needed.

NWAF faced several challenges related to developing a "learning culture" between 1998 and 2008:

- Within the staff there were insufficient incentives to identify lessons and openly share them. A former staff member noted: "[It's important to have] incentives that encourage staff to be honest in addressing and facing problems. If something really challenging has happened, this should be able to be talked about and people should be rewarded for dealing with the problem." At NWAF, program staff success was linked to success of individual grantees, rather than to the Foundation as a whole; this made it very difficult for staff to admit that things were not working as intended.

- In some cases, the Foundation did learn from its "failures." In its evaluations of the Horizons program, NWAF "found that a major flaw was in getting communities to directly focus on poverty." Staff actively worked to address these concerns, through a "redesign of NWAF's approach, bringing on new partners, and ceasing relationships with others." The openness to learning within the Horizons program was considered refreshing by stakeholders who were part of the process. An external interviewee stated, "It was really interesting, to objectively focus on what was done wrong and how it could be fixed."

LESSON LEARNED

In this case, the Foundation learned that fostering a culture of learning does matter, particularly when encouraging staff to feel comfortable identifying missteps and converting those experiences into learning opportunities. Although developing a "culture" of learning can be challenging for many organizations, the Foundation's experience with its Horizons program demonstrated that under the right circumstances, staff can effectively identify and apply lessons learned.

ADJUSTING APPROACH TO GOVERNANCE

A strong governance model is an important component to any foundation's success. In 2000, the Northwest Area Foundation shifted its governance structure toward a policy orientation based on the Carver model of governance. This shift, in addition to other factors related to board governance, created challenges for all stakeholders, including staff and grantees.

Keep board members in touch with implementation

> "It is relatively easy to talk about a board as a strategic engine for a foundation. It is very hard for it to be relegated to being exclusively strategic. The more we were told by consultants that policy governance meant we should avoid being tactical, the more we felt we were behind a curtain we couldn't peek out from behind. It created a dissonance that was productive at best, and destructive at worst."
>
> – Board member

When a significant portion of the work is high-risk, long-term, and a significant departure from the old way of doing things, foundations need the wisdom of their boards to help ensure they stay on track relative to the organization's goals and objectives.

Unfortunately, NWAF's board members during this 10-year period were fairly removed from oversight of the organization's implementation of its strategy. Some of this was due to the way in which NWAF implemented a policy governance model, which led to the removal of programmatic oversight as one of the board's responsibilities. Instead, the board opted to focus exclusively on setting strategic direction for the Foundation, and decided that operational oversight ought to be managed exclusively by the CEO and Foundation management. For example, the board gave grantmaking authority to NWAF management, electing to receive reports from staff after grants had already been approved.

- This led to a situation in which the NWAF board was distanced from the Foundation's work, and arguably gave management too much autonomy. In reflecting on this approach, one board member explained, "With Ventures agreements in general, the board had almost no awareness of how little flexibility the Foundation had retained to terminate or modify the agreements if the partnerships proved ineffective." As another board member noted, "Any organization that is going in a new direction needs more oversight."

- The board's implementation of a policy governance model made understanding impact more challenging. An employee stated that the model "created false barriers"; a board member noted, "The board did receive reports on the grants that had been made, and it could inquire about the progress of grants and partnerships." However, this was limited "to the extent that such inquiry might be thought appropriate to its policy-setting role." Board members also suggested that regularly scheduled, periodic reviews of the strategic framework are the best way to fulfill the board's strategic role, as this can keep them in touch with the progress that is being made in implementation and enable them to course correct if the Foundation's goals are not being met.

All governing bodies must balance accountability and autonomy. While setting strategic direction is an important role for any board, maintaining enough oversight to stay connected to implementation and progress toward goals is also critical. For example, several interviewees suggested that reviewing the strategy on a regular basis could have ensured that board members had dedicated space to consider how well strategic decisions were doing against intended goals.

> "In the way [NWAF] was using the Carver method, the board could not find an appropriate way to examine and formulate, let alone do anything about, its growing concerns with Ventures."
>
> – Board member

In order to play their roles effectively, board members should feel able to voice suggestions and concerns. Board members often have strong ties to the constituents served and can be a source of valuable insight for both strategy development and understanding of implementation progress.

During this period, the challenges NWAF board members faced in understanding the Foundation's progress against its goals were further heightened by a perception that the governance model inhibited the board's ability to voice its concerns. One board member noted, "The request to extend Ventures made us uneasy, but we couldn't put our finger on it until one of us mentioned the Foundation's slipping credibility across the region." Although board members were hearing comments from external colleagues about the difficulties Ventures programs were facing, they explained, "It was very difficult to incorporate it into the Foundation's internal dialogue." In hindsight, board members and staff expressed a desire to learn how to take full advantage of the "street-level" information to which board members have access.

LESSON LEARNED

Board members play a unique and necessary role in guiding a Foundation toward its objectives. While it is important to allow for autonomy that enables board members and staff to best leverage their expertise and resources, board members must have a forum for open and explicit conversation, and feel comfortable voicing concerns.

Ensure board members are effectively informed

> "There was a lot of written material – the reports never cut it, and no matter what, we couldn't satisfy the board."
>
> *– Former staff member*

In order to do their jobs effectively, board members must be given information that is credible, reliable and directly tied to the decisions they make. Without clarity as to what decisions they are making and what information they need, board members may not be aligned in pursuit of common goals, may find themselves buried in too much irrelevant data, or may feel under-informed and unable to appropriately assess progress toward strategic goals.

- Once the NWAF board began to realize that the Foundation's activities were facing significant challenges, they actively re-engaged in providing guidance to staff. However, the board wasn't sure what information it needed for decision making, which made it difficult for staff to meet their needs. This led to significant extra and unnecessary work and frustration for both board and staff when ultimately a perception resulted that the wrong information was being asked for and provided. A staff member noted, "That was one of our frustrations – we couldn't figure out what they wanted us to do."

LESSON LEARNED

In situations where oversight is critical (when implementing a new strategy, for example), it is important to give board members the information that they need in order to determine whether the intended goals are being met. NWAF walked away from this experience with a much stronger understanding that developing clarity around what decisions must be made by board members, and what information best meets those needs, is a critical component of effective governance. While it can be challenging to explicitly articulate what information is needed, it is a necessary step toward ensuring that staff can support board members in effectively meeting their responsibilities for oversight and governance.

From 2008 to the Present: How the Foundation Has Evolved

ALTHOUGH WE HAVE HIGHLIGHTED MANY LESSONS IN THESE PAGES THAT RELATE TO AREAS in which the Foundation would have liked to perform better, there are important success stories that should not go unmentioned. Several Foundation partners noted that the Foundation has created commitment for communities to move forward in addressing poverty. As one external interviewee commented: "They have clearly created capacity, both within communities and individuals, to do this work. The level of engagement in NWAF communities has been significantly enhanced. Though they're not quite there yet, they are making inroads."

The Northwest Area Foundation has learned significant lessons from this period in its history and is building from its accomplishments as it continues its journey to learn from missteps that were made. The Foundation is committed to acting on these lessons in the following ways:

Increasing strategic clarity

The Foundation's board and staff have engaged in driving toward greater strategic clarity. In 2008, the Foundation announced a revised strategic plan with the following mission statement:

> The mission of the Northwest Area Foundation is to support efforts by the people, organizations and communities of our eight-state region to reduce poverty and achieve sustainable prosperity.

To pursue this mission, the Foundation has identified three core sets of activities that will guide its work – engaging in asset and wealth creation, seeking improved public policy solutions, and strengthening leadership capacity. These are explained in the Foundation's 2008 theory of change:

If we

Draw on the wisdom and experience of others;

Use our resources to support, collaborate with, and build on the work of proven or promising change agents including organizations, public officials, communities and other foundations who are committed to addressing systemic causes of poverty;

Commit our resources wisely to create assets and build wealth among low-income people, impact public policy and build leadership capacity for this work in low-income communities; and

Adapt our approach as we learn from our experiences

Then we

Will contribute to the sustainable reduction of poverty in our eight-state region.

NWAF is currently making shorter-term grants, due both to the legacy of long-term commitments that continue to tie up funds and to its desire to test ideas and work with promising organizations that may create significant impact. The Foundation does intend to provide longer-term support to grantees in the future (though this may be achieved through repeated, short-term grants rather than single, long-term grants). The Foundation has also taken steps to assess risk for individual grants as part of the approval process and is looking at ways to balance risk across the portfolio. Although staff members suggest, "The board is skittish about risk right now," they indicate, "we will get to a point where we can take more risk."

The Foundation is also engaging in dialogue about definitions of poverty and success: According to a current staff member: "If we are supposed to have had a measurable poverty-reducing effect, did we achieve it? The answer is probably no, but that is probably the wrong goal. If we lower our sights and talk about raising the awareness of poverty, about enhancing social capital and civic engagement, and if we acknowledge that these are small rural communities, I do think Horizons has had a bracing effect and is giving communities a sense of vigor and efficacy. This is tremendous and deserves to be celebrated." In conversations internally and with grantees, the Foundation has shifted its language from discussions about expectations to being more explicit about "expected outcomes," a nuance that board members view as increasing clarity regarding objectives and goals. Foundation staff and board members recognize that more can be done to hone in on a more narrowly focused strategy, and strategic conversations continue.

Drawing on the wisdom of others

The Foundation is committed to being more explicit with grantees about roles and responsibilities. The Foundation's revised theory of change makes explicit its approach of drawing "on the wisdom and experience of others," a move away from being directive and toward authentically partnering with others who have cultural/geographical context and experience. As noted previously, the Foundation's work with NAYA is an example of moving away from leading conversations with money and toward a more genuine and power-balanced partnership.

Working with proven and promising organizations

The Foundation is now shifting from working with communities and building new organizations to engaging with proven and promising change agents, including organizations, public officials, communities and other foundations that are committed to addressing systemic causes of poverty. To support this work, the Foundation has made internal structural changes such as shifting employees from community liaison roles toward more conventional program officer positions. The Foundation is also actively working to leverage its grantmaking, by working to influence government engagement and by introducing grantees to peer funders and other organizations that can provide further funding or technical assistance.

Turning learning into actionable knowledge

NWAF has taken several steps toward making learning an embedded part of its daily work. The Foundation recently hired an evaluation and analysis program officer to oversee learning and

evaluation activities, and created an evaluation and learning team to identify and implement opportunities for Foundation-wide learning. NWAF is working to develop evaluation and learning capacity internally through the establishment of an evaluation system, and is in the process of developing an intelligence system for capturing internal knowledge.

Balancing board and staff roles

The Foundation has formally shifted away from the Carver governance model and back to a more traditional board structure, with a program committee providing guidance to staff. There also has been a change from guarded to open communication between board and staff members, with management actively encouraging and facilitating board-staff interaction. The Foundation is also working with a process improvement specialist to assist with facilitating information sharing between board and staff.

Conclusion

THE NORTHWEST AREA FOUNDATION ACKNOWLEDGES THAT IT IS STILL VERY MUCH ON A journey toward increasing its effectiveness in reducing poverty within its region. A bold vision for change is not enough; it is critical for foundations to translate that vision into a clear and actionable strategy, work effectively with grantee partners and communities, and learn and course correct. While the lessons contained in this report are not necessarily unique or groundbreaking, the Northwest Area Foundation hopes that these stories from its past will encourage others to reflect on their own experiences, and to incorporate these lessons into their own work. The Foundation looks forward to continued learning in its ongoing efforts to reduce poverty and build sustainable prosperity in its communities.

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INTERVIEWEES

Northwest Area Foundation Staff

Deanna Arce
Associate Program Officer

Joanna Ramirez Barrett
Evaluation and Analysis Program Officer

Patrick Ciernia
Program Assistant

Diane Corey
*Executive Assistant to the
President/Board Liaison*

Gary Cunningham
*Vice President of Programs –
Chief Program Officer*

Anthony Genia
Senior Program Officer

Ruby Lee
Program Director

Karla Miller
Program Director

Sylvia Burgos Toftness
Communications Lead

Jerry Uribe
Senior Program Officer

Kevin Walker
President and CEO

Northwest Area Foundation Board

Dorothy Bridges
Board Chair

Bruce Brooks
Board Chair (Former)

Louis Fors Hill
Board Member

Daniel Kemmis
Board Chair (Former)

Elsie Meeks
Board Member

Northwest Area Foundation Former Staff

Jean Adams
Former Vice President of Operations

Jean Burkhardt
Former Horizons Program Lead

Kerstin Gorham
Former Learning Liaison

ellery july
Former Vice President of Programs

Karl Stauber
Former President & CEO

Funding Recipients

Lynn Knox
*Senior Program Manager, Portland Economic
Opportunity Initiative
[Connections program]*

Nichole Maher
*Executive Director, Native American Youth and
Family Center
[Ventures program]*

Donna Rae Scheffert
*University of Minnesota Extension Partner
(Retired)
[Horizons program]*

Jessica Sotelo
*Executive Director, Partners for Prosperity
[Ventures program]*

External Interviewees

*These interviewees did not receive funding
for program implementation.*

Tom Byers
Consultant

John Couchman
*Vice President of Grants and Programs,
Minnesota Community Foundation &
St. Paul Foundation*

Diane Morehouse
Evaluation Consultant

john powell
Poverty Expert

Jon Pratt
*Executive Director, Minnesota Council
of Nonprofits*

Bob Sutton
President, South Dakota Community Foundation

RECOMMENDATIONS FROM THE URBAN INDIAN COMMUNITY TASK FORCE[28]

1. The Foundation should review its policies that govern leadership and oversight of large-scale projects in order to improve management oversight and problem identification at all levels.

2. The Foundation should review its policies that provide for community feedback that will serve all levels of management. The policies should require the CEO to visit and get to know community leaders and establish an open communication link to his office.

3. The Foundation should review its policies to determine if changes are needed in order to improve multicultural orientation and leadership skills for those involved in its multicultural, multi-ethnic environments. Further review should be made of those policies relevant to hiring practices when cultural and ethnic expertise is required to ensure that legitimate knowledge is being acquired and used.

4. The Foundation should re-engage the urban Indian communities directing Foundation staff to develop a process and structure with equal partnership and co-creation of a plan. The re-engagement should redefine the Foundation and urban Indian partnerships so that it includes shared participation and equal power structures.

5. The Foundation should review its policies to broaden the financial audit and the authorities of the audit committee of the board of directors to include an operational assessment and financial disclosure of large-scale projects.

6. The Foundation should direct its staff to establish a community-driven calendar as opposed to artificially imposed deadlines. This kind of timeline will serve to create agreement and commitment on meeting deadlines.

7. The Foundation should direct its staff to establish clear outcomes and clearly articulated review criteria at the beginning of the project planning.

8. The Foundation should direct its staff to immediately bring a plan for the board of directors' review and approval to re-engage urban Indian communities.

9. Native American Youth and Family Center (NAYA) and the Foundation should submit separate letters to National Committee for Responsive Philanthropy (NCRP) stating the successful and positive outcome of the project.

10. The Foundation should review its policies to ensure that they do not allow for consultants paid by the Foundation to have their reports modified or censored by Foundation staff for the purposes of reflecting favorably on the Foundation without merit.