



A FIO PARTNERS PERSPECTIVE:

The Question of Sustainability: A Challenge for the Decision Makers who make Investments in the Nonprofit Sector

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During the last seven years, I have had the pleasure of working with a large conversion foundation located in the south formed from the sale of two non-profit hospitals. I began my work with this foundation by assisting them in establishing policies relative to evaluation of their grants. Like many foundations, this one divided its grant making into two areas: (1) responding to “over the transom” requests, and (2) strategic grants, those that the foundation itself initiates and that are usually multi-year initiatives reflecting substantial sums of money. After a few years of operation, the Grants Committee recognized that the first strategic grants would be complete within the coming twelve months and the Board of Directors and staff would soon be faced with decisions about continued funding of these projects and/or organizations. This raised the whole question of “sustainability” and what that meant. With the support of the then Director of Evaluation Services, I developed these materials to help shape trustee understanding of this important issue. I believe that what we learned may be helpful to any decision maker from any type of funder, whether foundation, corporate or government.

After a few weeks of searching, I found very little that was useful and nothing that was succinct enough for our needs. I came to realize that the issue of sustainability is embedded in a much wider discussion of the value of philanthropic and government investment and the accountability of funders in the sector. I could identify no efficient means of capturing and integrating the various methods of achieving funder effectiveness, the issues related to sustainability, on-going decision-making about individual grants, integration of learning from evaluation, and so on. As much out of frustration as design, I began with a blank piece of paper.

Why grant in the first place and what does sustainability really mean?

Before tackling the issue of how to figure out how and why a particular grant should be sustained, and what that means

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exactly, my colleagues and I found that we needed to remind ourselves of the basic motivation for grants. Our working premise for this primary motivation emerged as *mitigation of a significant community problem through investment of foundation resources over a period of time*. While that may seem obvious, it was important in its implications for funder accountability, a key concept that drove our thinking as we moved forward. These implications were: (1) *mitigation* implying an expectation of an outcome and therefore, the necessity to measure outcomes; (2) *significant community problem* implying that we have sought to understand the problem and made a judgment about its relative importance; (3) *investment* implying that we have placed resources in a thoughtful, educated manner to best insure a positive return; and (4) *a period of time* implying that we have thought about the duration of the investment needed to create impact. With this working definition of the purpose of grant-making, we framed the overall issue of sustainability as, *Having deployed these resources for a particular purpose and period of time, what should the funder do next relative to continued investment?*

A closer analysis of the issue of sustainability

Next we noticed that different kinds of grant decisions yield variation on the question of sustainability. The first level of grant decision-making that we examined was the arena of *zones of interest for grant making*. Many foundations and corporate funders have identified broad areas of interest to focus grant making. Even state government, via initiatives such as Healthy People 2010, narrow their interests to a few areas in which decision makers believe foundation resources might be best used. Assuming that zones of interest are identified, we captured the sustainability issue for this level of decision-making as: *How long should we work in this area and with what kinds of strategies?*

We then stepped back and looked at the types of grant-based strategies that are available to tackle a zone of interest. We identified four. Each of these strategies yielded an additional sustainability question. The first of these strategies is (1) *closing a service gap*; that is, the application of a proven solution in a particular service system for a particular population. An example is an immunization project for children 0-2 who are currently not reached by mainstream early childhood health care. There is no doubt that immunization results in improved health outcomes for children; the purpose of the grant is to close the gap of accessibility for children who otherwise would not be immunized. The sustainability issue here is: *Should the funder pay for this in perpetuity, or, once outcomes and cost effectiveness are demonstrated, can we ensure that the existing service system reorganizes or reallocates resources so that the gap stays closed?*

Broad Strategies For Grant-Making: Variations On The Question Of Sustainability

Zones of interest: How long should we work in this area and with what kinds of strategies?

(1) Service gaps: Does the funder pay for this in perpetuity, or, once outcomes and cost effectiveness are demonstrated, can we ensure that the existing service system reorganizes or reallocates resources so that the gap stays closed?

(2) Experiments: If the knowledge gained is worthwhile, how do we disseminate it to those who will use it?

(3) Systems change: How can we convince those who control existing services to move the innovation from outside the system to inside the system?

(4) Centers of initiative: For community problems that are ill-defined, and where continuous innovation and continuous effort are required, how will this ongoing research and development be paid for?

The second strategy we examined is (2) *experiments*. These are efforts in which the solution to a particular community problem is not known. By funding experiments, funders help grantees test out good ideas, informed guesses, or theoretical propositions as to what might work. Together, funders and grantees determine if the experiment produced the intended outcomes and/or had unintended effects. An example is a pilot project that trains teachers in learner-centered practice, testing the hypothesis that these teaching methods increase student achievement. Results of these experiments add to the body of knowledge in a field, if the results are properly disseminated (something that sadly occurs too little). While there may be a service outcome (a benefit for participants), the purpose of this type of grant-making is actually the knowledge gained, even if that knowledge is the knowledge of what doesn't work. The sustainability issue here is: *If the knowledge gained is worthwhile, how do we disseminate it to those who will use it?*

The third major strategy is (3) *systems change*. Here funders seek to take a newly proven solution and bring it to scale; in effect, taking an innovation from outside the system to inside the system. For example, funders might work collaboratively to fund a Principal's Academy to provide cutting edge training for public school principals or develop a stream of funding designated to assist families with dependent family members to access respite. The sustainability issue here is: *How can we convince those who control existing resources and services to move the innovation from outside the system to inside the system?*

The fourth grant based strategy is (4) *the creation of centers of initiative*. This is a strategy best used for complex and difficult problems that are not well understood. A center of initiative can mount a series of initiatives and/or experiments to work on a particular problem set through time. It is recognized from the outset that addressing the problem fully will require multiple strategies, probably a mix of known and unknown, over the long term. An example would be a center to improve the quality of child care in a community, a goal that requires a multi-faceted intervention that reaches parents and other relatives caring for children in their own homes, family based day care, and center based day care. The sustainability issue here is: *Where continuous innovation and continuous effort are required, how will this on-going research and program development be paid for?*

Tools to answer these questions

Zones of Interest

Question: *How long should we work in this area and with what kinds of strategies?*

Tools:

- Zone Assessment
- Articulation of clear theories of change
- Funder self study

We quickly recognized that answering each of these questions requires a unique base of information and that gathering that information requires a variety of tools and activities. For the first arena, *zones of interest for grant making*, we viewed the questions as three separate issues. The first is the choice of zone of interest, the second is strategy mix, and the third is duration. The base of information required to address these embedded issues can be assembled via three processes. **Zone assessment** is based on data that accurately identifies the extent of community problems, the degree to which these problems are being addressed in the specific community and by what means. Zone assessment must also reflect an internal contemplative process of consideration of vision, mission, and values for the funder. It is the combination of values and the assessment of need that yields priorities and the subsequent deployment of resources among the priorities.

Finally, within this assessment, a funder must also identify outcomes for each zone of interest. The second process is one that too often receives little attention, and that is, *articulation of the theory of change* that we are employing in this area. This exposes the basis of our belief that this particular approach to change is the most likely to be effective in our community and must be embedded in the state of known knowledge in the field of interest. This assessment yields the information to determine the kind or mix of grant strategies that are appropriate to the outcomes. The final process: a *funder grant self study* seeks to determine the degree to which the funder's grants have had an impact in the area of designated funding. Essentially, what difference have we made? The information raised through these three processes will guide whether or not the funder should continue on its present commitment to a

Closing Service Gaps

Question: *Does the foundation fund this in perpetuity, or, once outcomes and cost effectiveness are demonstrated, can we ensure that the existing service system reorganizes or reallocates resources so that the gap stays closed?*

Tools:

- Outcome evaluation
- Cost benefit analysis
- Analysis of political and policy structures
- Convening of decision makers
- Dissemination of results
- Advocacy or support of grantee advocacy

Consideration of **closing service gaps** implies the need for a strategy to close the gap permanently. This will require a multi-faceted set of tools and processes. First, we must demonstrate that the outcomes of closing the gap are cost effective. This can be accomplished with traditional models of outcome evaluation and cost benefit analysis. However, shifting financial responsibility for closing the gap permanently requires an analysis of relevant political and policy structures, convening of key decision makers, and dissemination of the results of the assessment. This is unlikely on its own to be effective, and so advocacy, for new investment or the shifting of existing resources away from strategies that are less effective, is likely to be needed if the gap is to stay closed. The communication and convening involved in advocacy may be carried out by the funder through assertion of leadership on its own, or by funding grantees for such efforts. If advocacy efforts are unsuccessful, the funder is then faced with the choice of continuing to fund the gap in perpetuity or at least until the community power structures are more amenable to taking on the responsibility.

Experiments

Question: *If the knowledge gained is worthwhile, how do we disseminate it to those who will use it?*

Tools:

- Outcome study
- Process to identify most influential end users
- Dissemination of results

As noted above, when a funder funds **experiments** in an effort to develop an innovative and effective approach to a problem that seems not to have a ready solution, the goal is the knowledge that will be gained. Here funders have the opportunity to push a particular field with new approaches and are uniquely positioned in the world of grant making to take these risks. These risks, though, have little worth if the new knowledge gained is not disseminated. Here we need two essential processes. First, an outcome study to determine both intended and unintended effects, and second, a process to identify and educate the most

influential end users, that group of people in a field who are most likely to seize upon an innovation and incorporate it into practice. If the experiment was not worthwhile, it is equally important to disseminate the results since it may well save someone else the time and resources of going down the wrong road. Based on our observations, this is an enormous weakness in the philanthropic world at this time, though the Internet, and technological advances in general, offer tremendous promise for the future for far more economical use of funds for this kind of experimentation. Obviously, fulfilling this promise depends upon the funder's commitment to gleaning the new knowledge and making it available to the field.

Systems change

Question: *How can we convince those who control existing services to move the innovation from outside the system to inside the system?*

Tools:

- Demonstration projects
- Outcome studies
- Shared power models
- Political assessment of system dynamics and players
- Leadership, convening
- Communication

Systems change is usually an effort to embed an innovation in an existing system. The innovation may come from one of the funder's own experiments, or it may come from innovations that have been proven elsewhere. We recognized that the tools needed here are quite similar to closing service gaps: starting with demonstration projects to prove outcomes; often using shared power models to sponsor the initial efforts; and strong political assessments of system dynamics and players. Funders also have the option of providing visible leadership, convening key players and funding public relations campaigns that seek to influence public opinion.

Centers of Initiative

Question: *For community problems that are ill-defined, and where continuous innovation and continuous effort are required, how will this on-going research and development be paid for?*

Tools

- Feasibility study to identify a program/revenue mix
- Technical assistance

The final area of consideration, **centers of initiative**, raised very different issues. This is truly an issue of how to sustain an organization through time. For difficult community problems in which the knowledge in the field has not yet

evolved to a place where solutions are known, it is critical to create entities that have the capacity to innovate and experiment continuously over a long period of time. These models are particularly conducive to community development projects in which communities come together to design solutions to their own problems. A center of initiative that is indigenous to a community, and that is shaped by its community through time, can be a powerful vehicle for change. Clearly funders have the choice of funding such organizations for the long term, providing core operating funds over an extended period, but there is often also the choice of building the organization's capacity to sustain itself via a mix of revenue sources. If that is the choice, a feasibility study to identify a program and revenue mix that can support the organization through time is useful. Technical assistance to enable the organization to enact the program and revenue mix may also be important.

The group of trustees who first viewed this model found it helpful and accessible in building a more refined understanding of the decision process relative to sustaining their strategic initiatives. I hope this typology proves equally useful to other funding decision-makers and would appreciate feedback and the opportunity to continue these discussions. As a corollary to this work, I found it helpful to follow up this thinking in two ways: (1) to make a master list of the information tools to support decision making about sustainability as an evaluation tool for funders to assess their preparedness for making decisions about sustaining their strategic investments; and, (2) to capture a clear sense of how the support of decision making about sustainability fit within the foundation's overall activities. The first is available by contacting me via the FIO Partners, LLC website and the second has been captured in an article entitled *Funders as Learning Organizations* also available via the website.

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