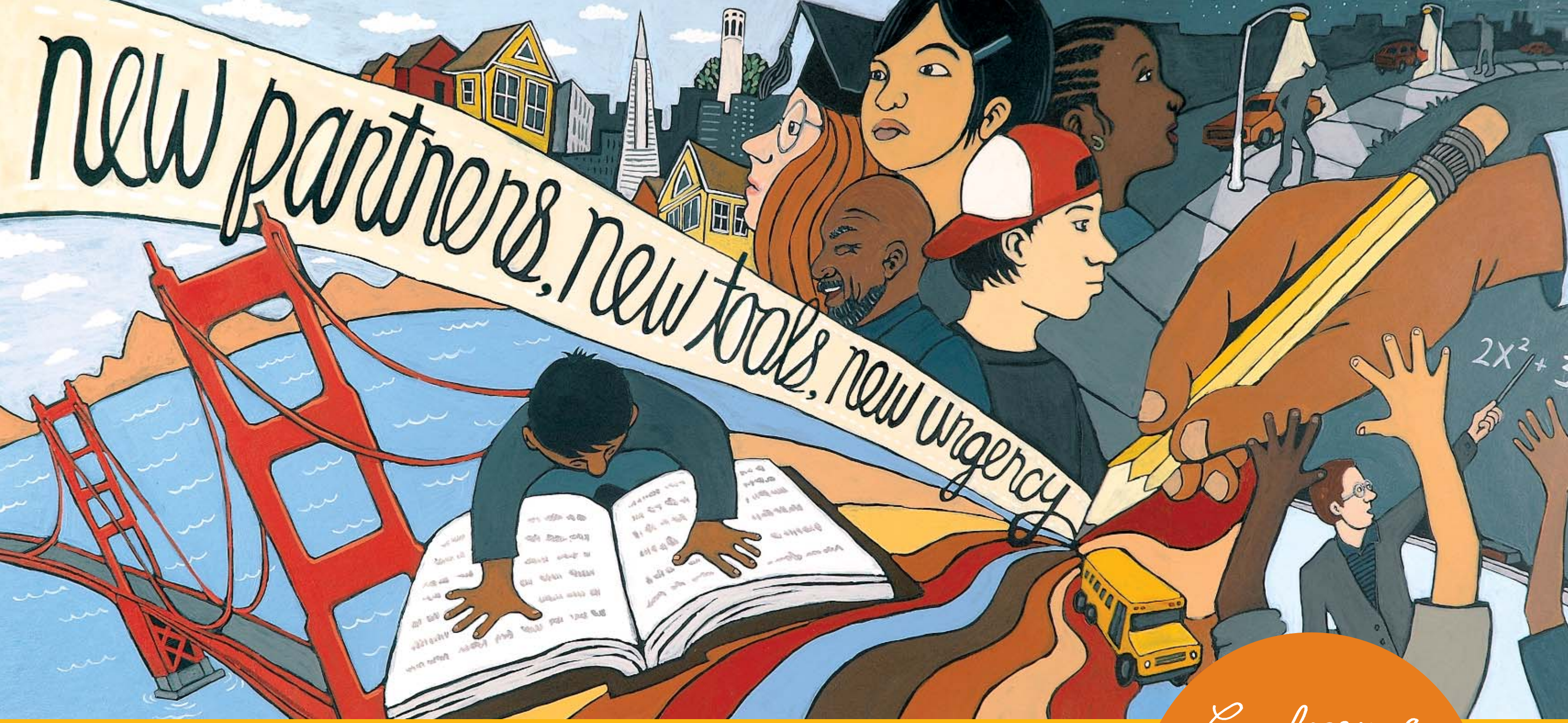

GFE 10TH ANNUAL CONFERENCE

Bringing Strategic Clarity to Your Grantmaking: Crafting and Using a Theory of Change

NOVEMBER 6-8, 2006 • SAN FRANCISCO

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grantmakers for education

Conference
STUDY
GROUP

To provide an even more intensive learning experience at Grantmakers for Education's 2006 conference, the program featured a conference "study group." This special small-group program track focused on foundation strategy and the value of a well-crafted theory of change for increasing strategic clarity and impact. This report is intended to make the study group's learning available to more education grant-makers and other interested readers.

The study group took up three major questions:

1. *What is a theory of change, and why would it be useful to a foundation?*
2. *How have some foundations employed a theory of change?*
3. *How would my foundation start to create a theory of change?*

Designed especially for leaders of small and mid-size foundations, the study group included several participants who were deeply engaged in developing theories of change or clarifying strategies for their foundations. Others were contemplating the process or seeking information to bring back to their boards and staff.

The group met three times over the course of the conference for workshops and work sessions.

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SESSION 1

Bringing strategy into focus with a theory of change

PRESENTER: Susan Colby, partner, The Bridgespan Group

In the first session, Susan Colby, the head of The Bridgespan Group's San Francisco office, presented on the importance of bringing strategic clarity to grantmaking.

She explained that a theory of change is simply a way to clarify your intentions, specify what you're doing, and check to see that the two are in alignment. Developing a theory of change can help you look beyond the content of your grantmaking to your strategy. The process allows you to see discrepancies between the way you want to work and what your organization is actually doing.

Colby illustrated her point with a question: "Are you saying, for example, that you believe in letting a thousand flowers bloom, but then you only make repeat grants to known grantees? Does your board say they want to make 'big bets,' but your grant list show that you only make small to modest-size grants?"

FIGURE 1

To begin charting a theory of change, choose an "anchoring point." This might be your intended impact, defined in terms of benefits or beneficiaries, or the approach you intend to use to bring about change.

Intended Impact		Approach
BENEFITS What you're trying to create	**BENEFICIARIES** Who you ultimately want to serve	**METHODS** How you believe change will happen

Find an "anchor point"

In working with organizations, Colby and her colleagues at Bridgespan help clients specify their beliefs and choose an "anchoring point" from which to chart possible courses of action (*Figure 1*). This might be their intended impact, defined in terms of benefits or beneficiaries, or the approach they intend to use to bring about change.

To show how the process works, Colby described a strategic planning process that she recently carried out with the leadership of a large foundation. The participants began by articulating four core beliefs to guide their education funding:

- All children can learn and achieve high academic standards, regardless of race or income.
- Owing to the interests of our benefactors, we will focus on Hispanic children in the area of education.
- We believe we should work where the equity gap is the greatest and will affect the most children.
- We want to work in ways that show direct, tangible results.

Embedded in those beliefs were general priorities for what they would fund, where they would focus and how they would choose to work.

Consider benefits vs. beneficiaries vs. methods

In Colby's example, identifying core beliefs allowed the foundation's leadership to next lay out alternative ways to frame an education grantmaking strategy consistent with those beliefs. As part of the exercise, the foundation considered how possible strategies might differ, depending on whether the initial orientation was toward intended impact (defined in terms of desired benefits or beneficiaries) or method.

As Colby pointed out, "choosing a starting point—whether benefits, beneficiaries or methods—makes it easier to define the other two." It doesn't matter so much where you start, she argued, so long as you eventually clarify your intentions in all three areas.

So, for example, another foundation used *beneficiaries* as its anchoring point because its leaders understood that their organizational "bottom line" was helping young children from local, low-income families. Once they had articulated that component, they were in a better position to define the other two: the *methods* they'd use and the *benefits* they'd seek. They could then decide to support an advocacy effort to increase public pre-kindergarten services, or an expansion of a successful parent education project, or any number of interventions that fit with the foundation's resources, priorities, time horizon and style (*Figure* 2).

Test beliefs against data

Returning to the first example of the large foundation, Colby noted that Bridgespan helped the funder gather and analyze extensive data on a specific problem: low graduation rates among Hispanic high school students. It was crucial, Colby explained, for the foundation's leadership to test their beliefs rigorously against those data as they assessed the precise scope of the problem and considered the implications of following different paths. They continued to cross-check different plans and scenarios against the data as the planning team developed a strategic framework and created an operational model. To illustrate some of the options the foundation considered, Colby showed three different models, or sets of activities, that might logically flow from a decision to support a network of high-performing high schools as a long-term strategy toward improving Hispanic student achievement by expanding the supply of high-quality schools (*Figure* 3).

FIGURE 2

Example: Some possible "anchoring points" for education grantmaking

Intended Impact		Approach
BENEFITS What you're trying to create	**BENEFICIARIES** Who you ultimately want to serve	**METHODS** How you believe change will happen
Student level Pre-K literacy High school graduation College graduation	**Age** 0-5 Elementary school Secondary school Post-secondary	**Type of intervention** Prevention Remediation
School level School wide test scores Year over year gains	**Demographics** Socioeconomic status Minority students English learners	**Unit of change** Student Teachers/leaders School District Community
System level District wide test scores Year over year gains	**Geographic** Within a city/town Within a state Nationwide	**Type of model** Entrepreneurial innovation Replication of proven models

FIGURE 3

Alternative approaches will drive different activities

Replication model

Network of high performing schools →	Codify successful school model →	Replicate model in multiple locations →	Expand the supply of high-quality schools

Knowledge dissemination model

Network of high performing schools →	Identify best practices within schools →	Disseminate tools for improving performance →	Expand the supply of high-quality schools

Advocacy model

Network of high performing schools →	Identify structural enablers of reform →	Advocate for structural changes to system →	Expand the supply of high-quality schools

Don’t get stuck: “There’s work to be done everywhere”

The foundation in Colby’s example considered and rejected many strategies, some because they didn’t seem likely to have the right impact or enough impact, some because the resources required were just too great. The lesson here, said Colby, is a practical one: “If you can’t do one thing, look elsewhere. There’s work to be done everywhere.” In other words, don’t get stuck on something that won’t make a difference or that doesn’t fit well with your foundation’s interests, time horizons and resources. Go back to the data often to check the plausibility of your plans. And be clear about the implications of the decisions you make about for your own foundation’s operations, timing and resources. As Figure 4 demonstrates, relatively simple choices—such as the average grant size for a foundation—can have far-reaching implications.

Clarity involves trade-offs

Colby’s general advice to study group participants was to build their foundation strategies through “a synthesis of data and beliefs,” as the client described in her presentation had done. The process, she noted, isn’t easy. Gaining clarity inevitably involves tradeoffs, as beliefs and aspirations are tested against hard data about the scope of a problem, the likely impact of specific activities and cost (*Figure 5*). “The translation of a theory of change into day-to-day behaviors and decisions requires discipline,” she noted, “but still leaves room for a lot of creativity.”

FIGURE 4

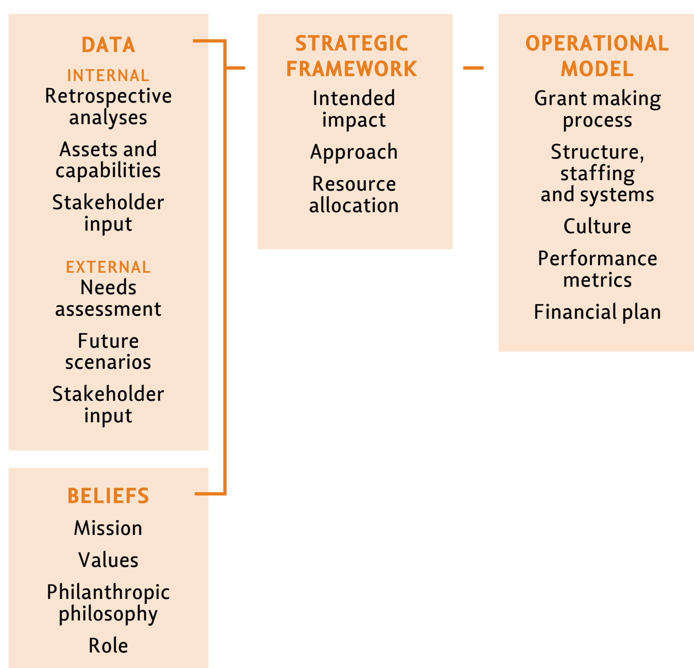
“Simple” choices can have profound implications: Two options for a $10 million grant budget

Total Grant Pool = $10M/yr

	OPTION 1		OPTION 2	
Average grant size (*per grantee*)	$10K		$100K	
New grants per year (*average*)	1000		100	
Active grantees (*3-year grant duration*)	3000		300	
Program officers	3	10	3	10
Grantees per program officer	1000	300	100	30

FIGURE 5

Foundation strategy requires a synthesis of data and beliefs.



"The goal," Colby summarized, "is not the perfect theory of change. It's clarity about what your organization is trying to accomplish and whether or not you'll be able to get there."

Questions: Putting the concept into practice

In the discussion that followed, study group participants posed questions to Susan Colby and other members of the group. Here are a few of those questions and responses.

QUESTION: The foundation you worked with was obviously very large. I'm from a small foundation. Would this method work for us?

SUSAN COLBY: *My experience is with large foundations, but the principles would be the same for a small funder. The point is to rethink your strategy if what you're trying to do is out of alignment with your beliefs, or if the scale of what you're trying to do is out of alignment with your resources.*

Q: Your client obviously spent a lot of money on data analysis. That would be too expensive for us. What if a group of foundations—for example, a consortium of funders looking at the school system in their state—collaborated on a process like this? Would it work?

COLBY: *To be brutally honest, I don't think you could do this on a consensus basis with other funders. It would simply be too hard to get agreement on what data to gather or how it should be interpreted. On the other hand, if one foundation did this with, say, two or three very respected business leaders, you might be able to present the results to both the business community and other foundations.*

Q: It's hard to imagine using a process like this with our board. They're too impatient. Plus, it's hard to get them to see the problem when their decisions aren't consistent with the mission statement they crafted and adopted.

COLBY: *I suggest doing this sort of planning yourself, with your staff, and feeding the results back to the board. As for the disconnect between your mission and the board's decisions, you might think about putting together a chart with two headings: "mission says" and "data says." You might have something like "We make major investments" under mission says, and "x percent of last year's funding in small grants" under data says.*

SESSION 2

How foundations adapt strategy to their work

PRESENTERS: Christy Pichel, president, Stuart Foundation; Carrie Portis, chief of staff, Stupski Foundation
MODERATOR: Beth Bruner, director of effectiveness initiatives, Bruner Foundation

In the second session, guided by Beth Bruner, director of effectiveness initiatives at the Bruner Foundation, the conversation moved to practical questions about developing and using a theory of change. After hearing directly about two foundations' current efforts to develop strategic approaches to their grantmaking, the members of the group exchanged notes on starting and managing a strategic planning process.

The Stuart Foundation: Making strategic connections

Christy Pichel, president of the San Francisco-based Stuart Foundation, began with a brief history of the foundation. Established in 1937 by E. A. Stuart as a charity managed through the Carnation Company, the foundation became independent in 1985 when the company was sold. The Stuart family remains deeply involved: indeed, the four-member board consists of the founder's grandson and three great-grandsons. In 1985, Pichel explained, the foundation staff began to focus in three program areas: child welfare, youth and community, and education, with the endorsement of the board. "But," she pointed out, "there's a difference between focus and strategy."

After she was tapped as president of the foundation, Pichel proposed that the foundation undertake a strategic planning process. "The board was reluctant," she recalled, "although they wanted a strategic result." Her solution was to look at each of the three program areas in turn and trace its impact, then guide the staff in looking together for common values. "It dawned on us," she explained, "that youth development was the unifying theme of our work. That recognition opened boundaries between the programs and let us be more strategic."

Among the commonalities they found was a commitment to helping nonprofit organizations prepare for change and improve their performance. That insight enabled the foundation to see the value of supporting the creation of a new publicly available data system on California's child welfare system. Now in operation, the data system contains detailed information on children in all 58 counties of California and is capable of producing custom reports. The data system is now used by all the foundation's grantees, thus facilitating more consistent and transparent analysis—including analysis of the impact of the foundation's own grantmaking.

Another result, Pichel recounted, was an increase in the size of the program staff: "The child welfare program officer was swamped. We did an analysis that made it easy for the board to hire another person because they could see the relationship between cause and effect."

The Stupski Foundation: Narrowing the strategic focus

Carrie Portis, chief of staff at the Stupski Foundation, began by introducing the foundation and its mission, which is grounded in the belief that "quality public education is critical to increase the life options for children of color and those living in poverty." Founded in 1996 and based in Mill Valley, California, the foundation's initial approach has been to form "alliances" with partner school districts around the country and work closely with them to improve their performance. The foundation's donors, Larry and Joyce Stupski, continue to play a major role in setting strategy. In late 2006, the staff of 60 included 25 "part-time, late-career professionals."

Portis described her own admittedly "painful" efforts over the past two years to create a theory of change to unify the foundation's work and articulate a clear "model for school district improvement." According to Portis, the foundation had tried in 2002 to produce a comprehensive theory of change but "hadn't been ready. We didn't have buy-in from the staff. Narrowing your focus means tradeoffs. It means giving things up. The organization hadn't been prepared to do that." In the summer of 2006, they decided to try again.

To help with the process, the foundation hired the Bridgespan Group, whose consultants laid out a four-month timeline for the process. "We're close," Portis reported in early November. "We expect to have a plan by December 1." But getting to that point had not been easy. The main challenge, Portis said, was agreeing on what the foundation wanted to measure. "It's been hard to say where we want to see impact because we're looking at school districts," she explained. "Is it district capacity? Changes in adult behavior? Student achievement? To affect student achievement we need to focus our interventions on teachers—but that can only be done through a school system or district lens. Even saying 'We're about student achievement' is very broad."

Yet the strategic planning process had already helped the foundation narrow its objectives in one important area: time. "We've set a timeframe for getting results," said Portis, noting that the foundation typically worked with a district on a four to five year time horizon with an annual investment decision based on a memorandum of understanding. "We're working only with districts that have the capacity to make measurable improvements within that period."

Portis concluded with reflections on internal change and the challenges of managing it. It's important, she pointed out, to get staff involved, although doing so can be difficult when staff members understand that clarifying the strategy almost inevitably involves upsetting the status quo. Doing some things more intensely means *not* doing certain other things—a reality that is often a source of resistance. "There needs to be some level of dissatisfaction with the current state," Portis said. "People need to be able to see a connection between change and the future they want. You can lower their resistance to that future by helping them answer questions like 'Will I have a job? Will I be comfortable in that job? Will I be able to use my skills?'"

Discussion: Strategy and its benefits

In the discussion that followed, the study group members described their own foundations' experiences with developing theories of change or strategic plans. At the urging of moderator Beth Bruner, they focused their remarks on benefits associated with the process and operational changes they have made as a result. Here are some of the benefits they identified:

- ***Evidence of impact:*** "Developing a focus has helped us get the right information from grantees, who are the ones who do the actual work. Now, if the board asks what impact we had, we might have an answer."
- ***Alignment between mission and practice:*** "We're a community foundation. Before we developed a strategic plan, we were respected but deadly nonvital. Whether they'll say it out loud or not, if your work is not aligned with your mission, people know."
- ***Focus on service:*** "I started writing a theory of change for my foundation and got hung up on the population we're serving. When I looked at reports from grantees for guidance, I found that they tended to report on activities, not on results or the people being served. We now have a basis to change that focus."
- ***Less up-front work on individual grants:*** "We've been able to post more information about our focus on the internet. We've also been able to give grantees a clearer picture of what they'll be asked to report on. Those changes have allowed us introduce a letter of inquiry process and have simplified the work we do upfront to evaluate potential grants."
- ***Realistic expectations:*** "We acknowledged the tension between us and our grantee school districts. Basically, the district wants to get the money and have the foundation go away. The foundation wants the district to do exactly what we say. Neither one is going to happen. We were able to take a look at what's appropriate pressure, recognizing that we're not in the driver's seat."
- ***Balanced reporting on performance:*** "We've developed a mantra that we use with ourselves and our grantees: 'What have we done? And how well have we done it?' Answering those questions brings together the quantitative and qualitative aspects of reporting."

- ***Improved board-staff communication:*** "I sent around a tool for rating the foundation's institutional health and strategy to our board and staff. We found a lot of alignment between board views and staff views, but we also saw some gaps. The board asked us to develop a plan to address those gaps."
- ***Common language:*** "A theory of change gave us a new way of talking together that we didn't have before. I'm a board member, and I can tell you that when the staff used to leave the room we'd say to each other 'Did you understand that?'"
- ***Greater transparency:*** "For us, having a theory of change gives us opportunities to engage with grantees and community members. We can say, 'Here's our theory of change. What do you think of it?' It lets us have good conversations about what we're doing."

Getting started: Linking resources to results

To prepare for the study group sessions, participants read GrantCraft's Mapping Change: Using a Theory of Change to Guide Planning and Evaluation. *This brief guide provides a useful definition and framework for grantmakers who are learning about or considering the possibility of using a theory of change approach. The full guide is available for purchase or free download from www.grantcraft.org. Here are two excerpts from the guide:*

What is a "theory of change"?

A theory of change describes a process of planned social change, from the assumptions that guide its design to the long-term goals it seeks to achieve. Grantmakers who have created theories of change explain that having a theory helps them and their grantees draw logical connections between activities and outcomes. It helps them to articulate exactly what propositions and assumptions their work is testing—and therefore what they should be assessing in their evaluation plan.

Grantmakers, grantees and theory of change consultants seem to share a common sense of the process for developing a theory of change. The work often starts by gathering together the key planners of an action or program, a group that may involve grantmakers, project designers, evaluators, community residents and other constituents. The theory unfolds as the planners work backward from the long-term impact they're seeking to achieve through specific goals, strategies and milestones. At each step, they carefully probe the assumptions that underpin their beliefs about what will work and why and how it is likely to have the effect they anticipate.

What does "theory of change" really mean, in practice? Grantmakers who use the term may be describing anything from a detailed map to a general storyline. What they agree on is that a theory of change is valuable if it helps them and their grantees understand the relationship between the problems they're addressing and the strategies they're using to get the work done. As one former grantmaker put it, "When you're clear about your theory, it's easier to see what's possible and what's not possible to achieve with the intervention you've chosen to support. It helps you think about what other inputs might be needed and whether your input might fit in a catalytic place. And it helps you examine whether or not your intervention will be powerful enough."

Why would a grantmaker develop and use a theory of change?

For a foundation, one grantmaker explained, a theory of change is a powerful way to promote "accountability and transparency. It's a way to explain why we fund what we are funding." Applied to evaluation, it can help grantmakers and grantees alike know if their work is achieving the changes they intend. Theory of change is one tool grantmakers use to help themselves and their grantees understand change, manage the change process, and assess the effects of their work.

Practically speaking, a theory of change is helpful because it enables grantmakers and program planners to accomplish several things:

- Establish common principles and vocabulary
- Make implicit assumptions explicit
- Identify resources and check them for adequacy
- Design more realistic plans for action
- Clarify lines of responsibility
- Create more meaningful evaluations
- Maintain healthy skepticism

From GrantCraft's *Mapping Change: Using a Theory of Change to Guide Planning and Evaluation* (2006); available at www.grantcraft.org

SESSION 3

Next steps: Developing a strategy and theory of change

MODERATOR: Beth Bruner, director of effectiveness initiatives, Bruner Foundation

The study group convened for its final session at the close of the conference. Led by Beth Bruner, participants reviewed key issues for applying what they'd learned to their own work, then formed small groups to discuss their next steps in beginning or advancing the process of creating a strategy and theory of change.

The small groups reported back, focusing on what they saw as the biggest challenges to their past or ongoing strategic planning efforts and what they believed would be hardest about carrying out their intentions. They zeroed in on the challenges of developing a theory of change, a list that dovetails with many of the dilemmas of effective grantmaking:

- ***How do we decide what's best?*** Creating a theory of change is just a starting point for an ongoing process of strategic decision making. It may help you find answers, but it doesn't provide them. As one study group member lamented, "My foundation has a beautiful theory of change. We put it on a poster and carry it around from room to room. It's a good starting point. The problem is, there's nothing in it that would tell us which is the *best* strategy. How do we choose?"
- ***What things do we choose not to do?*** Strategy involves trade-offs. When it comes right down to it, it's not easy to give up things your foundation has worked on and valued. "Getting people to agree about what we're *not* going to do has been very hard," one study group member reported. "People are afraid we'll miss something important. And, for our board, it was very difficult to say, 'You know what, we're not going to do scholarships.'"
- ***Can we be specific enough?*** In trying to draft a theory of change, some organizations have found themselves tripped up by the very problem they hope to alleviate: a reluctance to narrow their focus and be specific. Describing struggles within her foundation, one study group member asked, "How do you get bright, creative people who know 'the way' to collaborate? We tend to get around disagreements by making things more vague."
- ***Should we build in some flexibility?*** A theory of change can bring coherence to foundation strategy, but does that mean sacrificing spontaneity and the occasional out-of-program opportunity? "Maybe we need to stop thinking about a strategic theory of change as all or nothing," a study group participant suggested. "Maybe it would work better to identify one or two areas where we really focus, then leave a certain amount each year for responsive grants."
- ***Can we really commit ourselves to specific outcomes?*** A theory of change helps map the connections between strategy and intended results, but what if those results are still difficult to accomplish and document. "It's scary to define measurable outcomes when the county or school district doesn't always provide us with basic data," said a foundation CEO. "We funded a large program on developing new principals, and the county couldn't even tell us how many principals were moving through the system."

The group agreed that it makes sense for foundation leaders and program staff to keep those warnings and realities in mind, but that it's also important not to let your organization get so hung up on them that it can't move forward.

Bruner closed the session by asking the group to distill some of the key steps involved in producing a strategic theory of change—one that could help a foundation align its priorities and intended outcomes. The group decided to articulate the steps as a set of sequential questions:

1. ***What is our "elevator speech" regarding our focus?*** In other words, what do we say is most important to us if we've only got a minute or two?
2. ***What are we actually trying to accomplish?***

3. ***What are we currently funding?*** What does an environmental scan tell us about what we're supporting, in what fields, at what level of commitment?

4. ***How does what we're funding relate to what we want to accomplish?*** What do we want to be held accountable for?

5. ***Is our strategy aligned?*** Can we accomplish the things we want to be held accountable for? If not, what do we need to do differently?

6. ***What's our current capacity?*** Can it support our strategy? What is the state of readiness for our board, our leadership, our staff, our financial resources?

7. ***What adjustments should we make to our capacity to make us better able to pursue our strategy?***

In conclusion

The foundation leaders who joined the study group came with different experiences and at different stages in developing and applying an overarching strategy to their work. What they shared was a desire to understand a tool that would help them align strategy with outcomes, keep their foundations on course and maximize the impact of their work.

The sessions affirmed that those objectives are good ones and that producing a clear theory of change can help a foundation achieve them. At the same time, the presentations and ensuing discussion reinforced the lesson that preparing a theory of change is extremely challenging. Summing up the feeling of the group, one participant remarked, "It looks really valuable, but it's definitely no shortcut."

Resources

ActKnowledge and the Aspen Institute Roundtable on Community Change. In an ongoing partnership, the two organizations have assembled an extensive online library of materials, tools, and background reading on theory of change and strategic planning. See www.theoryofchange.org.

Edna McConnell Clark Foundation. With assistance from the Bridgespan Group, the foundation developed a theory of change and strategic plan for its Youth Development Fund in 2003. The foundation's plan is available on its website at www.emcf.org. A case study on the process is available for purchase from Harvard Business School Publishing through the Bridgespan website at www.bridgespangroup.org.

GrantCraft. Mapping Change: Using a Theory of Change to Guide Planning and Evaluation. This brief guide explains how grantmakers can use a theory of change approach in their work, with grantees and inside their foundations. Available for purchase or free download at www.grantcraft.org.

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