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Trust across the power divide: A study of the Edna McConnell Clark Foundation

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Trust entails the establishment and maintenance of strong relationships through consistent behavior, regular and candid communication, and a mutual commitment to achieve common goals. Bonds of trust are often difficult to establish and easily destroyed. Even when relationships have been functioning smoothly, however, power differentials and sudden changes in direction may stress a relationship founded on trust. Through a study of the Edna McConnell Clark Foundation, I examine: 1) an organization that has changed dramatically; 2) power relationships that have also changed; and 3) the effect of these changes on bonds of trust within the organization and between the organization and its partners .

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I. Introduction

For any relationship to endure in a healthy manner over the long run, partners need a mutual sense of trust. Such a sense includes consistent behavior by the partners, regular and candid communication among the partners, and a commitment to certain common goals. In traditional philanthropy, a sense of trust exists at a superficial level; foundations and grantees speak of their relationship as a partnership. However, the relationship is inherently asymmetrical. Foundations are often perceived by grantees as a 500 pound gorilla: very strong, having a clear sense of purpose, capable of docility but highly unpredictable when irritated. Building into this curious partnership a mutual sense of trust is a challenge for philanthropy.

Since the late 1990s, venture philanthropy (VP), a venture capital model, has attempted to reshape the relationship between funder and grantee (Letts, Ryan, Grossman, 1997). VP is high engagement philanthropy: this variety focuses on building the institutional capacity through long-term (multi-year) monetary grants, providing technical assistance, and using metrics to assess impact on those served. While not an entirely new concept, the VP focus on measurement has not been stressed by traditional foundations. In this new approach, the funders are more involved in the nonprofit's day-to-day activities and its organizational structure (some serving on boards of their grantees); and as active partners, they require rigorous accountability.

What is it like to be a nonprofit in the current milieu? Nonprofit organizations typically struggle to survive, spend inordinate amounts of time seeking and competing for funds, are often not particularly good at fiscal management, and often must accede to the interests of a funder in order to maintain the flow of cash necessary to survive (cf. Damon, 2006). Until the late 1990s, nonprofits operated under one set of assumptions about their relationship to foundations; but with the rise of venture philanthropy, they had to adjust to a new set of conditions, at least with respect to grant-making entities that have embraced the VP approach.

The question immediately arises about the fate of a trust relationship under the new arrangements of venture philanthropy. Traditionally, funders conduct due diligence before determining support; but once the grant is awarded, the funders write a check and typically let the grantee determine its course of action. Even when subsequent funding is an issue, the degree of surveillance of achievements is modest at best. Funders have the luxury of being accountable to themselves with few legal restrictions on what they can or can not do.

Under the VP model, the connection between the funder and the grantee becomes much more intimate. The funder remains actively involved and thus has a more immediate stake in the progress of the nonprofit. In that sense, one could contend that the funder is much more "on trial" than in the traditional case. Yet, on the other hand, the initial asymmetries still prevail: the funder has the money, writes the check, and has the ultimate say in whether the nonprofit is achieving the mutually agreed-upon ends. If the funder's answer is "no" to further funding, the grantee may go out of business, while the funder lives to undertake new initiatives, often in perpetuity.

Conditions of trust

The concept of trust is relevant to most relationships or partnerships. Developing trust adds depth and significance to a relationship; it allows the parties to take risks, and to work towards innovative solutions. Without trust, few relationships can thrive, or indeed, survive over the long haul.

Mutual respect, constructive and honest communication, sharing a set of moral values, and a commitment to mutually relevant goals, help to establish the bonds necessary to achieve trust in a relationship (Dirks and Skarlicki, 2004; Edmundson, 2005; Fukuyama 1995; Lane and Bachman 1998; Luhmann 1979). Even in hierarchical relationships, a history of cooperative interactions may help to inspire connections. Such bonds of trust are fragile, however. They are threatened by indifference, favoritism, conflicts of interest, changes in philosophy or direction.

Relationships within an organization like a foundation often depend on the guidelines imposed by the leader. Often times, a dilemma arises when the leader announces a new policy. In an attempt to meet the expectations of one group—say, the board of directors—the leader must violate the expectations of another group—such as program officers (Kramer and Tyler, 1996). In such cases, the group that feels marginalized may become more risk-\averse and less likely to follow unknown or unpredictable paths. (Dirks and Skarlicki, 2004).

Trust is also influenced by informal and formal agreements that help to facilitate the coordination of information, to diminish uncertainty, and to reinforce expectations (Bachman, 1998; Fox, 1974; Fukuyama, 1995; Lane, 1998; Dirks, 2000). For example, many traditional foundations establish informal agreements between the project officers and the grantees; the foundation establishes broad goals and relies more on the reputation of the grantee and the project officer's personal assessment than on a third party's view of the effectiveness of the grantee's performance. In contrast, formal agreements with measurable standards shift the focus from officer-grantee relationship to some kind of impersonal metric. The objective criteria are intended to support both the funder and the nonprofit's goals and to establish candid and open communication. In a cooperative setting, trust can become a bridge on which new ideas and ways of interpreting the world can be carried back and forth between funder and grantee. On the other hand, the depersonalization of the relationship and the temptation to "massage" the so-called objective measures may undermine an earlier relationship of trust.

Without trust

When trust is absent, communication suffers; feelings of vulnerability are exacerbated, and the participants become self-protective. For example, if the grantee fails to understand the funder's expectations, feels disrespected, struggles with inconsistent or dishonest communication, or feels that the funds are a bribe to comply with the demands of the funders, the grantee may react by capitulating to the funder's demands rather than defending its fundamental goals and mission. Or the grantee may manipulate the truth to preserve its funding, causing the funder to rely on erroneous information. In this latter case, the funder may withdraw its support prematurely, harming the nonprofit's already fragile stability. While the funder, as an entity, may not be as vulnerable as the grantee, the desired social good is at risk when philanthropic money is wasted. When trust frays, the enthusiasm to risk unfamiliar paths diminish; and once trust has been damaged, restoring it is difficult.

II. The Study

In the last half of the 1990s, the Edna McConnell Clark Foundation (EMCF), a well-regarded traditional foundation, was attracted to the venture philanthropy model. In relatively short order, it began to transform itself into an institution-building enterprise.[1] In what follows, I examine: 1) the relationship between the internal functioning of EMCF and its stance toward external agencies and constituencies; 2) the shifting power relationships within the foundation over time; and 3) the effect on the bonds of trust during times of change.

This study grew out of the GoodWork® Project (GW), an on-going research study of individuals and institutions who are committed to doing good work that is: 1) ethical, 2) excellent, and 3) personally meaningful. My colleagues and I have conducted over 1200 in-depth interviews with leading figures in nine professions ranging from journalism and medicine, to law and philanthropy. (For an overview, see goodworkproject.org.) To be sure, most professionals aspire to do good work. Yet during times of rapid change and unmitigated market forces, most individuals find it difficult to meet the standards of their professions and to accomplish their personal goals (Gardner, Csikszentmihalyi, Damon, 2001; Gardner and Shulman, 2005). In our study, we have been particularly interested in the types of strategies, qualities and values invoked by professionals to achieve good work.

[1] EMCF representatives described the foundation's approach as Institution Building rather venture philanthropy.

The GW strand that examines philanthropy was conceived of in two phases. In Phase I, we interviewed foundation presidents, executive directors, project officers and donors. In a case study of Teach for America, we explored how multiple funding sources influence a nonprofit organization (Verducci, in press). In Phase II, we focused on the emerging trends of philanthropy: donor-advised, e-philanthropy, ideational, venture philanthropy, change agents, and an examination of foundations-in-transition. For the latter category, Michael Bailin, president of the Edna McConnell Clark Foundation, generously agreed to a case study of his foundation. He was interviewed at length, answered many queries by phone and e-mail, and nominated staff, consultants, and grantees that would help us better understand the process of change. Drawing on 21 interviews for this study—15 management staff and consultants, and six grantees—I examine the perspectives of those who helped initiate the change and those who were grant recipients. In particular, I explore aspects of trusts in the funder-grantee relationships during a time of change.

III. Within the Foundation

In the beginning

David McConnell, a book salesman in the mid-1880s, gave a gift of a bottle of perfume to his clients. The perfume was so successful that in 1886, at the age of 28, McConnell created California Perfume Company (CPC). In 1939, CPC was renamed The Avon Company. While McConnell was generous with his fortune, the family foundation remained unstaffed until 1969. At that time, Edna McConnell Clark, the daughter of David McConnell, and her husband Van Alan Clark, decided to double the endowment and to focus on four recipients of largesse: the poor, children, the elderly, and the developing world. The family's lawyer, a board member, became the architect for the newly endowed foundation. From those four program areas, EMCF funded domestic organizations that instituted alternative justice reforms, programs for children, the improvement of New York neighborhoods and of urban school districts. EMCF also supported international programs such as the International Trachoma initiative. The program directors, board members, and family trustees funded programs for the long-term, in an effort to facilitate innovative systemic social reform.

The outgoing president

Peter Bell, who became president of EMCF in 1986, maintained the foundation's approach to systemic reforms. His leadership style entailed recruiting highly competent and knowledgeable experts in their fields as program directors, encouraging the board to have close ties with the program directors, and holding the program directors accountable for the development and assessment of their specific programs. The staff functioned fairly independently and enjoyed the full trust of the board. Bell's laissez-faire approach worked well in this traditional foundation.

In May, 1995, when Bell was selected as president and chief executive officer of CARE, he resigned from his position at EMCF. At that juncture, the board began to assess EMCF's future direction. Key members of the board questioned the amount of funding that had gone into systemic reforms and whether the programs had made genuine differences. The board also expressed a desire for the foundation to evolve—however, what that meant, in real terms, was unclear. Simultaneously, as the EMCF board mused about the possibility of change, VP concepts of high-engagement philanthropy, accountability, and objective program assessment had infiltrated the philanthropic sector.

The new president

In February 1996, the EMCF board hired Michael Bailin as the new president. From the beginning, Bailin favored a high-engagement capacity building model of philanthropy. He sought to focus the foundation's efforts in the youth development areas, which were his expertise and passion, to help successful nonprofits in those areas build institutional strength, and to increase their capacity to serve their constituents. Bailin described his philosophy this way:

> We don't decide what is the right thing to do and then have other people carry out those right things. We're looking for only one thing in a program: is it effective and working well for kids….Show us evidence of what's working. The whole idea is: let's help good people who are running good organizations that we know are helping kids and position them to help more kids….My whole approach here is [that] the expertise is out there.

According to those we interviewed, Bailin was described as a conscientious, detail-oriented, analytical leader who believed it was necessary to understand the old ways before making changes. Bailin's leadership style was different than that of his predecessor; his goals were different than the goals of the program directors, and several of those on the board; and his approach to program development differed from what had been done in the past. The changes he initiated challenged the internal loyalty and trust of most of the old staff , as well as several of the board members.

The effects of change on a fragile foundation of trust

The pre-existing connections and loyalties built up between program directors and board members posed problems for Bailin. The forthcoming change would be particularly stressful for the staff. According to Nancy Roob, then a program director, now the president of EMCF[2]:

> The board look[ed] to the program director to essentially demonstrate whether or not the [programs were] making a difference....The program directors had so much autonomy. The program directors at EMCF were the experts on the four chosen program areas and established the initiatives that supported those areas. Peter Bell encouraged the program directors to establish close ties with the board. The program directors provided the board with regular updates on each program but the project evaluations did not focus on objective, measurable data.

Bailin wanted the program directors to be accountable to him, not to the board. David Hunter, Director of Evaluation (hired in 1998) described this concern:

> the program directors really saw themselves as accountable more to the board than to the president, and this was amplified by the fact that the habit of this foundation was that program directors would present their proposals to [name of board member], and he would vet proposals before they ever got to the president.

Bailin sought to revise routes of communication between himself, the staff and the board; as a result, the board had to relinquish authority and the long-term relationships they enjoyed with the program directors. A few trustees had difficulty shifting their perspective on who reported to whom, and they felt uneasy letting go of their long established relationships. Bailin remarked:

> When it came time to actual make the changes, they [the board] saw what it would take, including having to deal directly with ongoing programs that they had nurtured with grantees whom they liked, and especially with [EMCF]program directors. If you're in a family foundation, or one that really still felt like a family foundation, the alliances and relationships between board members and program directors were so strong that when I would come in to deliver some ideas and thoughts about change there'd be a strong push to go do [it], only to have at the next meeting when the progress [report] was delivered "here's what we've done and here's what we're trying to do," a trustee come back [and say], well geez, how's [the project director's name] going to feel about that?

[2] In June 2005, Nancy Roob assumed the presidency of EMCF.

Bailin felt isolated as he tried to persuade the board and the staff to move forward with his theory of change. In an effort to help him better understand the ecology of the foundation and to help him reorganize the foundation, Bailin began to hire consultants (experienced in VP, organizational change, and communication) and senior staff (directors of evaluation, communication, and operations). The consultants he hired were knowledgeable, smart, highly motivated individuals. Most of the new staff members and consultants had known Bailin either in his capacity as the former president and co-founder of Public/Private Ventures or in his role in other settings prior to EMCF. Bailin's closeness with the consultants and new senior staff members gave him needed support, advice, and loyalty as he sought to implement dramatic change.

Most of the long-time staff neither trusted the new administration's changes nor the new staff Bailin was hiring. While hiring his colleagues and friends worked to Bailin's advantage, these advisors were not perceived as neutral. As the various consultants interviewed the old staff and collected data for Bailin, and as the foundation's hierarchy shifted, the old staff felt vulnerable and became defensive. According to our interviews, at least one program director felt her position was threatened; another did not agree with the notion of altering a particular grantee's capacity for sustainability, and another program director stated he preferred to leave and welcomed the move to a different institution. Some associate staff members believed that the notion of venture philanthropy was only a passing fancy, thus they too questioned the fundamental correctness of the proposition.

The most difficult response for Bailin, however, was feigned agreement, and ultimately resistance to his requests. According to a consultant, "the [old] staff never seemed to believe that [they were not at risk of losing their jobs] for a second." When Bailin asked the program directors to provide a more rigorous evaluation of the long-term programs EMCF had funded, the program directors perceived this request as doubting the quality of the programs or the rigor of their in-house evaluations. Now the program directors emerged as potential saboteurs to Bailin's new initiatives, while, to the program directors, Bailin seemed intent on cleaning house.

During this time of change, goals and strategies were constantly shifting. In order to commit themselves to the changes, the old staff had to accept their diminished authority. Such a change of heart proved unfeasible. As a general principle, once the condition of distrust becomes entrenched, it takes on a life of its own. (Kramer and Gavrieli, 2004). If consensus was Bailin's goal, the foundation was not progressing in that direction.

In May 1999, Bailin put through a resolution to the board. In his words, he asked them "to agree to go for the total transformation...[to] wind down the kind of stuff [they] had been doing [the old program initiatives] and to see something different put in place." Bailin asked the board to go on record and vote unequivocally to support him, and they did. A decision to exit all the original long-term programs was made, and by 2002 this decision had been executed. As Bailin explained:

> I think a foundation has every right in the world to change its focus and do different things. There's nothing wrong with that. That's what it should do, but you can't do it without regard to what you've been doing....So, you've got to give good notice and you've got to have some strategy for exiting that gives some due to the hard work people have done, that recognizes what's working and tries to keep that going....It was very important that we do it right....

In 2000-2001, as the old programs and program directors were finding "new homes", a different organizational structure was coalescing. Portfolio managers were hired. These new staff members were generalists, less expert in the field of youth development, more skilled in providing technical assistance on business strategies to nonprofits. Roob spoke about the need to achieve "integration" among the staff:

> We had a staff retreat that was actually only 18 months ago [2002] that was focused entirely on how to work in an integrated team and building shared principles for the work and a vision....[Now there are] institutional sets of expectations of which you're part of helping to try to live up to. It's night and day...to work in a more integrated system and to work in an organization where you're actually clear about what you're accountable for....

The new staffing pattern and collaborative relationships marked a significant change, one that would encourage shared goals, improved communication, and consistency in approach. EMCF intended not only to build a team but to show the outside world (and to future grantees) the types of relationships they intended to develop. According to a senior staff person, working in an integrated organization would make it "clear about what you're accountable for and you don't have to...make the case for it." Indeed, EMCF developed a common rubric from which to develop partnerships between the nonprofit organization and EMCF.

While intentional changes are prone to false starts, reassessments, reassignments, and digressions of all sorts, sustaining a commitment to ideals during episodes of instability, inconsistency, or ambiguity is challenging. Bailin commented that change required a commitment:

> I think it's so hard and it takes so long that you've got to absolutely be committed to something and it's got to be a commitment to something before you're even there....

Consistency and communication may have gone awry in the beginning due to the inherent complexity of the change, but the larger goal of creating a new way of doing philanthropy remained. In 2001, Bailin hired two consultants (again individuals that he knew and trusted) to help the new senior staff, including Bailin, to assess the effectiveness of their ongoing work. Internal accountability was as important to Bailin as the accountability of the old programs. During monthly meetings, the consultants and the senior managers discussed the objectives and strategies being implemented. One of the consultants described this process as follows:

> We understood our job was to help them [the EMCF senior staff] to be accountable. And we were pushing them to be more specific so they could be held more accountable. I thought they didn't push back on us hard enough; there were some things that they just couldn't be more specific about because they had to see how they played out. A lot of discussion about their objectives, why they were pushing so hard on increasing the number of slots in these agencies, as opposed to trying to push on getting better practice in a field that doesn't have very well regulated practice quality, what their expectations were of grantees in terms of their own self-evaluation and their own accountability, what they expected business planning to produce...this is a different form of philanthropy. It's not just a question of what they do with their grantees; it's trying to show that there is a different way to do philanthropy.

The desire for transparency, candid communication, and unwavering commitment to the goals of change appeared to create a synergy for trust within the newly emerging group, while causing casualties for another. As the new president surveyed the lay of the land, he tried to maintain a fair and consistent approach with the old staff, however, they felt disengaged from the new lines of work. As a result, instead of maintaining the old programs as the new programs were funded, Bailin felt that it was necessary to reassess his original inclination to maintain the old programs. The new leader wanted the internal structure of the foundation to reflect to the outside world how the foundation was going to deal with its future grantees. Consider this remark when Bailin was asked about the transition:

> I don't think that we could have succeeded in the new way that we're trying to work, which was going to be heavily based upon trust and relationships, if this new group [nonprofit organizations] that we would work with saw us disengaging

> without regard for the nonprofits we'd been working with. So, I took great pains and care to make this the best transition anyone could ever see.

IV. Trust Between Foundation and Grantees

Old model vs new model

According to the model adhered to by the old guard, social reform initiatives were funded based on the four program areas cited above. Grantees would apply for funding based on the foundation's initiative. Each program officer was an expert in the field and built between themselves and their grantees personal relations and informal assurances. There were no business strategies, no on-going evaluations, no intermediaries (consultants and evaluators).

In the new model, staff were composed of consultants, senior managers in the fields of organizational change, communication, and business, and portfolio managers with for-profit and not-for-profit experience. Instead of launching new initiatives for social reform, the foundation would support existing nonprofits, based on their fiscal strength, expertise and focus on youth services. The EMCF's theory of change centered on building the nonprofit's institutional capacity so it could serve more youth. An intimate and ongoing relationship with grantees would be based on business strategies, and standards established by the grantee that would measure progress made towards its stated goals.

Consistency: do what you say and say what you mean

Developing trust requires intention through actions and words—a consistency of commitment. For the new model to work, EMCF had to find strong partner-grantees who understood the demands of growth, and who could provide proof of <u>demonstrated</u> effectiveness. As David Hunter, EMCF's Director of Evaluation put it, "Grantees had to design programs with outcomes that could be evaluated". During the due diligence phase of the grantee search, such partners turned out to be in short supply. At that point, EMCF had to reassess its goals and search for grantees that showed <u>apparent</u> effectiveness. According to Roob:

> Either you have a business plan and we invest against it or you don't have a business plan and we help you put a business plan together and then we invest against the business plan. Now we've got organizations that aren't really ready. It's not appropriate to necessarily do business planning. They need a good couple of years to just get some good operating support and either attend to these organization building issues or not, and then we can see whether or not they're ready for the more growth-oriented business planning approach. So we are varying how we actually work with some of these organizations.

While no one ingredient can create trust between a foundation and a nonprofit, EMCF's attention to due diligence, its flexibility to change when necessary, and its fundamental interest in providing useful services to the grantees established healthy soil in which trust could grow. In the words of one EMCF staff person, the bonds of trust would develop over time through consistent and predictable actions:

> I think just the force of doing it right, doing it enough times brings people on. I think grantees, whether they talk to each other directly or they talk in the community out there, the word is going to spread that these guys are for real.

To assure that EMCF's commitments were communicated accurately, Bailin met with each nonprofit's board prior to funding. He reviewed with the board and the executive director what EMCF expected from the nonprofit and what the nonprofit could expect in return from the foundation.

The business plan: learning how to grow

Partnerships built on common goals and aspirations inspire trust. Establishing common goals between EMCF and grantees—two entities with different institutional cultures—has been challenging. Adapting a for-profit strategy such as a business plan would either help the nonprofit gain a more stable future or impoverish the efforts of the grantee-funder relationship. Like other VP organizations, EMCF tackled this challenge head-on.

The business plan was one strategy that Bailin believed would help nonprofits thrive and grow. He did not romanticize or idealize the benefits of the for-profit model, which had already proved problematic for earlier venture philanthropists (James and Marshall, in press). According to one EMCF consultant, experience in the nonprofit sector sensitized EMCF to the nonprofit's strengths and limitations:

> Mike [didn't] hold up the private sector as some kind of model or ideal for nonprofits to follow. He knew better than most people that it didn't apply. He ran a nonprofit for a very long time; created it and ran it. So I trusted him not to fall into that trap.

In redefining the foundation-grantee relation, a number of steps were initiated. First, the business plan incorporated concepts and terminology that had to be made comprehensible and usable to the nonprofit organization. While the business plan was a powerful tool, it was a prescribed way of thinking that was foreign to nonprofit organizations who typically have not focused on bottom line issues (Letts et al, 1997; James and Marshall, in press). An executive director who made the transition expressed it this way. "We are a nonprofit run like a for-profit with a different bottom line. And the bottom line changes the perspective on [every]thing." Second, the nonprofit had to make a commitment to the development of the business plan, which took months of effort to learn, and many person hours to complete. Third, the business plan was a detailed outline of objectives and measurements to assess progress; the grantee would have to follow the plan and would be evaluated by its outcomes. The nonprofit and EMCF would have to trust each other in order to create meaningful and realistic goals that were appropriate to the mission of the nonprofit.

A new player as intermediary

Bridgespan, a nonprofit offshoot of Bain and Company's consulting business for for-profit companies, received funding from EMCF to help its grantees create business plans. Bridgespan was a new and unpredictable player. Writing a business plan required candor from the grantees about their financial status, realism about expectations and limitations, and a willingness to communicate such details to the funder. On its part Bridgespan required a sensitivity to the differences between the for-profit and nonprofit organizational structures. Learning to trust a new player added another layer of complexity in an already potentially difficult relationship.

At first, grantees were confused about the relationship between Bridgespan and EMCF. Was Bridgespan's commitment and loyalty to the nonprofit or to EMCF? A distrustful nonprofit would have difficulty establishing a trusting relationship with someone hired by the foundation. According to an executive director interviewed for the study, Bridgespan had a rocky start. At first Bridgespan was insensitive to the subtle (and not so subtle) differences between for-profit and not-for-profit organizations. Communicating effectively with the nonprofit was the first barrier. With feedback from the nonprofit organizations and from EMCF, Bridgespan gained a deeper understanding of the commitments and passion of the nonprofit. The consulting group was able to establish productive, interactive dialogues that were as important as the measurements and goals were to the business plan. According to a Bridgespan interviewee:

> [The grantees didn't] feel as though Clark [was] jamming an answer down their throat. And I think that, if they did, then I think again everything gets out of whack, because then [the nonprofit tries] to guess what Clark really wants.

All six executive directors interviewed felt that the business plans moved their organizations in powerful ways. Although an executive director did not receive the mega-grant for which he had hoped, he described the benefits in this way:

> It brought us forward. Whether they funded us or not, the conversations were very productive in helping us crystallize our thoughts at that point in time. So it wasn't just them finding out who we were. She [EMCF staff member] was more pro-active in helping us think through what does that mean, and where do you want to go, and what will it take?

For some, the business plan was only the beginning. The executive director of a well known nonprofit, commented on the additional assistance he received from EMCF:

> The foundation brought to us four years ago when they first invested in us, about $50,000 on top of the grant to bring together five or six leading national experts in evaluation for a half day in New York, and a full day in Boston; they commissioned someone to write a report and ended up paying for the initial phases of developing an evaluation plan....I'd say they got us two years ahead of the game from what would have been the natural flow for us as we became more sophisticated around rigorous external evaluation.

It takes two to tango

While a productive dialogue is a valuable asset for any relationship, "productive" entails the ability and the confidence to disagree. The funder-grantee relationship requires that both parties have a voice in the dialogue, that they listen to each other, and that they search for solutions together. Given asymmetrical power relationships, this collaborative give-and-take is not always easily accomplished. In the funder-grantee relationship, fear of losing one's funding can override the impulse to disagree. EMCF understood that in order to develop trust in the partnership, it needed to establish an honest dialogue. As one EMCF consultant stated:

> "Dissing" a funder is always dangerous. And if they [the grantee] are willing to do it, then you know you're getting an honest answer from them.

There are risks to disagreeing, but the nonprofit executive directors interviewed reinforced the value of being strong advocates for their respective programs. All six executive directors independently spoke of "pushing back" when they disagreed with EMCF and, clearly, EMCF was willing to listen. For communication to work, both shared the commitment and respect for each other. As one example, a disagreement between EMCF and a grantee occurred when EMCF suggested to the grantee that measuring the number of students who attended classes would be a way to determine effectiveness of its program. While the numbers of students attending classes increased, the increase in attendance was not indicative of improved literacy—the stated goal for the program. Thus, the nonprofit felt that the metrics used for success seemed inadequate and short-sighted. The strength of the relationship was demonstrated by the grantee's willingness to disagree, and EMCF's willingness to listen, to engage and solve the disagreement in a mutually satisfactory way.

Another executive director stated that the business plan wasn't easy, but since EMCF listened and worked with him, he was able to gain a new way of being in a relationship with a foundation:

> When it comes to human capital, it's not that easy to quantify. And so sometimes I challenge the foundation to look at the way they quantify the results of our work. And also, our work is long-term. You can't see it in one year. So a lot of time, I have the pressure to show results in one year. And it's a lot of pressure to show results. And it's difficult...[but] they [EMCF] are much more open to what I have

> to say....From this experience, I feel that I want to inform and educate the other foundations even if they don't ask for it. Before Clark, I didn't have an evaluation tool. Now I have it and [it] changed my way of having a relationship with the foundations.

Not all executive directors were able to get beyond the fundamental distrust they had for funders. One executive director lost his funding because he did not trust the funder and misrepresented his program. To his credit, he recognized it as a valuable learning experience:

> I like the accountability about program results and about kind of doing what you said you were going to do....The relationship stuff wasn't managed well by me. They've been really good at communicating....[But there's] a part of me that makes [me] not highly trusting.

Clearly trust must be co-constructed over a period of time and reinforced, in part, by a willingness for both parties to listen carefully and respond honestly. During our interviews, the word "trust" may not have been articulated regularly, but its spectre recurred. Consider, for example, the testimony of one executive director:

> One of the hallmarks of engaged philanthropy and sort of the best of venture philanthropy is...putting the philanthropist and the social entrepreneur on the same team in a much deeper way where...there's no need to hide anything, and it's really about how do we kind of work together towards the same goals over a long period of time.

Foundation accountability

Just as the business plan represented the grantee's commitment to a trajectory of long-term growth, another aspect of due diligence on the part of EMCF was the foundation's willingness to evaluate its own services to grantees. Bailin believed that due diligence worked both ways. EMCF believed that as the foundation improved its effectiveness, the nonprofits would benefit. Bailin remarked:

> We just had a third party assessment of a bunch of interviews from grantees we have been working with for the longest period of time.... It was done by Bill Ryan and Barbara Taylor, anonymously, to determine with the organizations how they are really viewing this. Are they getting the kind of support they needed? Has the needle moved from here to there? Was there anything we did apart from the money, [that was] useful and responsible for that movement...Unanimously, they all said, (and it was done with a guarantee of confidentiality), that they would not just take the money and not take the other stuff. So, all the signs that we need are positive.

The leadership team at EMCF wanted to assure that they were being perceived as they intended, that nonprofits weren't merely bowing to the power of the foundation, but that the grantees were indeed developing a relationship with the foundation built on trust. Expecting honesty and openness from the grantees meant that the foundation had to be honest and open as well. An executive director for a youth program describes a similar way of modeling good work and the values they want the youthful participants to assimilate:

> Part of our whole culture is...[that] we're not socialized to be truly honest as adults. We're socialized to be nice. But in fact, if we want each other to do well on the job, we have to say, "You know, that report you did really didn't meet my standards. And here's what you have to do about whatever".

Saying good-by is never easy

Ending a relationship is never easy, but in a philanthropic relationship, it eventually becomes a virtual necessity. Ideally, it would be optimal if funders stayed with the nonprofit until the social problem being addressed is resolved. One EMCF consultant stated:

> Do we really have to have [an exit strategy]? Don't we just exit when what we're trying to accomplish is finished, and we work at it until it's done, or until we all agree that it's not possible to accomplish? I think this exit strategy business is, in many ways, an artifact of these big foundations that are preoccupied with the fact that they have to have an initiative, and it has

> to prove something, and then they have to get out and do something else. I think that's just another example of a fundamentally disrespectful attitude toward what they're trying to accomplish because if they're really serious about their goal, then they'll work at it, and they'll keep working at it. And their exit will happen either when it's accomplished or when they admit failure.

Funding a nonprofit in perpetuity is not a strategy used by EMCF or most other funders, although some do provide endowments. The establishment of trust during the investment period can help the funder-grantee relationship during the exit strategy. In addition to building a grantee's development capabilities, a funder can attempt to woo other funding partners to ensure that the work can continue. The benefits of a good relationship are echoed in the following comment by one of the grantee executive directors:

> It's one thing to miss the money, and I'm not going to low-ball that. In my experience, it's another thing to miss what the relationship can bring in addition to that. So if it has to end because the money has to end, there's nothing that a foundation can do to make that a happier moment...there's so much that's important about being with [foundation name] for us, beyond the money. It's getting together twice a year – it's the networking, for instance, that they provide. So there are ancillary or complementary things or additional things that won't be the grant but could continue because they really are important to the success of that nonprofit.

This executive director referred to the shared commitment to the goals of the nonprofit that are expressed in a number of ways other than through the foundation checks. Another executive director stated a similar attitude:

> We realized in the context of that conversation [with Bailin] that he was opening doors for us, and we were also approaching other foundations which he could make follow-up calls to.

Building and sustaining trust requires the commitment to work together, to complain, argue, encourage, and share the burden to reach a mutual goal.

In summary, changes within an organization create many unknowns. Trust in a time of rapid and unpredictable change requires consistency, commitment, candid communication, transparency, and a balance between accountability, on the one hand, and the latitude to make decisions without fear of recrimination, on the other.

V. Conclusion

EMCF risked its reputation, its endowment, and its standing in the philanthropic community in order to transform itself from a traditional foundation to an institution-building model. Its leader, Michael Bailin, was emboldened by the idea that there could be a more effective way for nonprofits to serve their clients. He believed that the funder should serve the grantee, that the funder didn't always know what was best, that both organizations could actually build a partnership through clear communication, commitment to common goals, and a consistent set of standards

Initially, change upset the continuity of the long-term relationships at EMCF; disturbed the hierarchy within the foundation; and challenged the conventional wisdom about the foundation's past and present accomplishments. The foundation regained its equilibrium by remaining flexible; establishing standards for accountability; pursuing its ultimate goal of funding grantees who could serve large numbers of youth; and sharing the burden of growth between grantee and funder.

Continuity, commitment, and communication were the conditions that helped establish trust during the times of change. The foundation relied on the grantees' internal motivations to change; due diligence became the watchword for building both internal capacity within the foundation and for establishing a reliable funding pattern with grantees. At each phase of the transformation there was: early due diligence, business planning, commitments to short-term and long-term funding grants, and exiting programs. EMCF understood the grantee vulnerabilities to the ebb and flow of funding tides. The foundation accepted the responsibility to provide not only the money but also a reliable, trustworthy relationship with the grantee.

A case study is necessarily limited. The specific players, issues, and forces will never be replicated exactly elsewhere. That said, issues of trust are especially important and especially delicate in the world of organized philanthropy. Particularly during times of change, the bonds of trust will be subjected to powerful pressures. Whether trust can remain strong within all parties is uncertain; but an awareness of the pitfalls as well as the possibilities may be of help to those who find themselves involved in such delicate and consequential relationships in the future.

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