

**“A Delicate Balance: The Funder’s Role in Community Building”**

**Remarks by  
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Let me begin by expressing my appreciation for your kind invitation to this conference. I have probably attended some five of these “Partnership for Excellence” conferences over the years, and I have always enjoyed the spirit of collegiality among funders and nonprofits that characterizes the conference as well as the deep and abiding commitment you all bring to this wonderful Santa Barbara community. As someone who travels this state extensively, I can testify that your collective dedication is really quite impressive, and you are to be commended.

Given today’s theme of community building, I have been asked by the conference organizers to provide the macro view, from the perspective of a large, private foundation that funds throughout California and thereby has the ability to see trends from a statewide perspective. While I am pleased to offer that perspective today, I also hope to touch on some areas that any local community needs to consider when undertaking community-building activities.

My remarks today are organized around a central theme and that is the primacy of maintaining balance: keeping balance as we make difficult choices, ensuring that we balance what are often competing priorities, and staying balanced as we nurture and sustain sometimes fragile relationships inherent to community-building work. This theme is a recurring one not only as I think about community building in general, but also as I consider the work of the Irvine Foundation these past several years.

Let me begin then by providing some background on the Irvine Foundation, with a focus on where we find ourselves today as an institution and the path we took to get there. I hope through describing this evolution that I can illuminate both the processes that led us to where we are as well as the substance of our focus today. Then, I’ll move to sharing some of the lessons from our work in community building across the state that I think will pick up some of the themes we heard this morning.

**Irvine Foundation and Strategic Planning**

The Irvine Foundation was founded in 1937 by the agricultural pioneer James Irvine. Today, we have assets of some \$1.5 billion and are able to award grants to California institutions that will total some \$60 million in 2005. Since our inception, we have given

away over \$800 million to, in our founder's words, "promote the welfare of the people of California."

In 2002-2003, the Foundation engaged in an extensive strategic planning process, the first such process in over 15 years, and as I describe how we went about it and the results, you will see that such processes are fundamentally about making difficult choices and striking the right balance. To that end, we sought to be as informed as possible about what we felt were the necessary inputs to inform good decision-making.

The best foundations are those that consider carefully the environment in which they operate and adjust accordingly, whether that be a regional context as in Irvine's case with a focus on California, or field-based as in the case of my colleagues at the California Wellness Foundation, which focuses on health care issues, or even an international context, as in the case of our colleagues at the Gates Foundation.

Given our mandate to focus on California, we looked carefully at who the people of California were, how they were going to change in the future, what their prospects were, and how that might inform what piece of the large set of complicated issues facing California we might be able to take on, given our relatively limited resources.

We also needed to look inward and consider our values, our history, our resources, and our capacities to address many of the pressing challenges facing California.

All of this led us to identify youth as a key target population going forward, especially low-income youth between the ages of 14-to-24, with a focus on helping them to make the successful transition from secondary education to post-secondary opportunities and specifically to attain a post-secondary credential of some form by age 25. In addition, as Irvine had been a key funder in the Arts field since its inception, and as our planning process affirmed the power of the arts to build communities, to foster cross-cultural communications, to stimulate creativity, and to demonstrate the best of human potential, we determined to maintain an active grantmaking program in the Arts.

Finally, as we looked at two fields in depth (youth and arts), we determined that one of Irvine's distinguishing features over the years had been its multi-purpose nature. While we wanted to focus more than we had in the past, we didn't want to lose that flexibility and ability to touch a range of issues. That desire, combined with the changing nature of California's political environment, led to the creation of a new area we are calling California Perspectives.

California Perspectives will focus on informing understanding, engaging Californians, and improving decision-making on critical issues of long-term consequence to the state. We will initially focus our grantmaking on the theme of effective governance for California, looking at how we might support efforts that promote solutions to the state's current governance crisis as we seek to illuminate and amplify the public's voice on those issues.

With this three-part programmatic focus, we then considered how we could add value as a philanthropy. It led us to articulate four key grantmaking principles that animate the way in which Irvine approaches its philanthropic purpose:

- Focus on Place (the importance of regions)
- Build Leadership (cultivate future talent/nurture today's leaders)
- Invest in Organizations (core operating support/strengthening infrastructure)
- Go Beyond Grants (convening, brokering, communications strategies)

All together, marrying the external environment with our grantmaking approach led to the identification of a mission focused on expanding opportunity for the people of California and a focus on Arts, California Perspectives, and Youth as key areas of emphasis.

Permit me to make one other point about the Foundation before I pull the lens back further. I spoke earlier about balance, and one of the tensions that became clear throughout our planning process is the balance of our grantee universe. In conducting an analysis of our grantmaking over a period of several years, one of the more interesting findings was that three-quarters of our grants each year were awarded to institutions that had a prior relationship with the Irvine Foundation. What were we to make of that? Had we become insulated and even clubby with little opportunity for new organizations to receive Irvine funding, or had we demonstrated the importance of sustained, long-term partnership with our grantees? Those who were Irvine grantees valued the Foundation's sustained partnership, while those who did not receive Irvine funding viewed such data as evidence of a closed process.

As we move forward, we remain committed to long-term partnership with our grantees. We believe it requires sustained commitment and patience to address the challenging issues that we are working on. Moreover, we have redoubled our commitment to providing core operating support by maintaining a predisposition to such unrestricted grants in our partnerships with organizations whose primary activities are fundamentally aligned with our program goals. Of course, such ongoing support will only be provided to those institutions that can demonstrate forward progress, organizational effectiveness, and ultimate impact.

Still, we are mindful that we want to find ways to be accessible to new partners, and we are actively pursuing some concrete strategies to do that, including the inauguration of the New Connections Fund last year. This Fund permits us to make grants of up to \$50,000 to organizations through an application process, whereby organizations aligned with our priorities can seek funds through an online application. The intention is to provide easy access for organizations—often smaller and not connected to our existing networks—to present their projects and activities to the Foundation and to extend our own networks beyond those we normally encounter. Of the 106 grants and over \$2.5 million awarded thus far through the New Connections Fund, I am pleased to report that 88 percent of the grantees are entirely new to Irvine. It's a work in progress, but a small effort on our part to broaden our support and extend our networks throughout the state.

## **Lessons about Community Building**

With this background about Irvine, let me now return to the conference theme and share some reflections related to what our Foundation has learned about community building in our many years of engaging in such work. Overriding these lessons, however, is the stark reality that engaging in community building is fundamentally hard work. That said, as I thought about identifying a few key lessons, they all seemed to amplify the theme of balance once again. While these lessons are primarily addressed to the funders in the audience, I think we all stand to benefit from them as we apply them to our collaborative work in the community.

### **Lesson #1: We must always balance being engaged and active partners in community-building efforts with being careful not to drive the agenda excessively.**

In the Irvine Foundation's annual report a few years ago, one of the sentences I wrote went along the lines of "sometimes the best role for a funder is to give the money and get out of the way." I was astounded by the number of nonprofit leaders who expressed their joy at such a statement and wished that most foundations would adopt such a stance. It suggested to me that far too many nonprofit leaders were struggling with funders who were being overly directive and intrusive.

Community building, at its heart, is about collaboration. And collaboration, as you consider its Latin structure, is about laboring together. Nothing creates a better precondition for success than the sense that you are truly in it together, as equal partners, and nothing will undercut that critical value more than one partner throwing his or her weight around in a way that undermines that shared goal. As funders, we must balance our obligation to ensure that our resources are being used wisely and that we are bringing all of our strengths to the table with a healthy respect for the boundaries that should animate the relationship between funder and grantee.

Related to this, there are often references to "proactive" and "reactive" grantmaking, which can suggest that "proactive grantmaking" is somehow more rigorous or strategic while "reactive" grantmaking is largely a passive and intellectually uninteresting undertaking. I would argue the opposite. The answers to community problems do not reside in the often well-insulated offices of foundation staff, and the need for close and authentic engagement with the external environment and those who work within it is essential. Unfortunately, there are many examples where foundations have sought to be "proactive" and in doing so have imposed well-intentioned solutions on communities that neither have ownership for those solutions nor engagement in their implementation. That is hardly a precondition for success.

At the same time as I argue that being reactive is not in and of itself a bad thing, I'll add that funders can be helpful as proactive partners by seeing opportunities, by convening parties, by brokering relationships, and by bringing resources to the table—roles that others cannot often play. That is indeed proactive philanthropy at its best. But as we all do that as funders, we must also ensure that we articulate with clarity what we hope to achieve and to provide various mechanisms for nonprofit organizations to share their

ideas and projects with us. Neither one approach nor the other in isolation can be as powerful as both approaches taken together, but it's a delicate balance.

Permit me to share an anecdote that illustrates how we at Irvine learned this lesson the hard way. Several years ago, we decided that we wanted to be more engaged in a particular community in California and took it upon ourselves to exercise leadership by convening the local funders in that region. As we did so, the local funders saw the potential for an investment of significant resources from the Irvine Foundation, and in the process permitted our staff to drive the agenda more than they should have. Remember now, these were other funders, not nonprofits. Arguably, from funder to funder, there should have been more candor and push-back, but there wasn't.

In the end, we did invest in the community, imposing our view about what priorities were important, and in the end, the effort had, at best, modest success. In looking back and taking time to assess what we all learned through this collaboration (and I use that term loosely), the key lesson that emerged was that the local funders felt that Irvine had imposed its agenda. They took some responsibility for not being more open with these concerns, and we clearly faulted in imposing our ideas more than we should have. I share this lesson because if that can happen among funders, it is even more likely to happen between funders and nonprofits without proper vigilance, particularly from the funder.

**Lesson #2: We must balance direct investments in the community with direct investments in building community capacity.**

I make this somewhat artificial distinction between investing in the community and investing in capacity because it's critical to call attention to the value of building community capacity as a precondition to community building. Too often, funders can become obsessed with providing support for direct services at the expense of other, important capacity-building activities that ultimately bring long-term benefit to and can ensure greater success for the community.

A recent paper published by the Foundation Center, entitled "Toward Greater Effectiveness in Community Change: Challenges and Responses for Philanthropy," explored the role of philanthropy in supporting community change activities. Among its conclusions was the following observation related to the importance of building community capacity:

*"Foundations' investments in community capacity are driven by a conviction that the most pervasive and sustainable change stems from a community's ability to envision, develop, and lead its own solutions. As a result, foundations increasingly contribute to community capacity by providing support to develop local leaders, providing technical assistance on specific topics, building local supports for change, and connecting community members to resources within and outside their neighborhoods. But these efforts are not widespread, and even where they exist, they are often incomplete or not fully integrated into community change efforts. Greater attention to building internal and external capacities in the community will help foundations create the core infrastructure and resources in a community that can carry their agendas forward."*

Foundations can play an important role in developing such community capacity, by, for example, engaging in the following activities:

- First, supporting the collection of data to understand issues and frame them in ways that might challenge assumptions and stimulate new thinking;
- Second, providing support for technical assistance providers to build the capacity of the individual organizations in a community;
- Third, identifying lead organizations for community-building efforts and helping them to develop their capacity to play a coordinating role, rather than creating and imposing new collaborative structures;
- Fourth, connecting community members to resources within or outside the community by brokering relationships, expanding networks, and using the funder's reputation to bring new parties to the table;
- And fifth, developing local philanthropy by working with community foundations and other local funding partners to ensure that the community-building effort has the promise of being sustained over time.

These are just a few examples of what I mean by investing in building the capacity of communities. So, as we invest directly in organizations making a difference in our communities and while those investments are necessary, we must not neglect the other, valuable community capacity-building roles that philanthropy is uniquely positioned to play.

**Lesson #3: We must balance the importance of an outcome-orientation with ensuring that we do not stifle creativity and discourage risk-taking.**

As we engage in community-building activities, we must at some point ask the question: are we making a difference? That leads naturally to the healthy exploration of how nonprofits and foundations consider this question. On the nonprofit side, this has led to a greater emphasis in recent years on developing “logic models” and “theories of change,” essentially processes that force clarity about desired outcomes and the necessary steps to achieve them. On the philanthropic side, good progress has been made in recent years to help foundations consider the various measures of foundation effectiveness. Certainly assessing the work of our grantees is one key measure, but there are others related to cost-effectiveness, investment performance, customer service, and influence on the fields in which we work.

My point here is that an emphasis on measurement, impact, and results can at times eclipse the more nuanced work of philanthropy and simplify the complex and difficult work that community building entails. Because foundations have great flexibility and freedom, accompanied by significant resources, we can often do what others cannot: take risks, foster innovation, explore novel ideas and approaches, and – not insignificantly – fail without too much downside. In doing so, we often take leaps of faith and pursue untreaded paths, but as we aim for clarity, identify benchmarks, and seek to measure our impact, we must do so in a way that stimulates, and not stifles, creativity and that fosters, and not discourages, risk-taking. While it is both easy and tempting to focus on those

issues and areas that are measurable, we know too well that doing so can lead us to ignore – at great peril – the more intractable and challenging issues facing our communities.

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As I reflect on these three lessons and the importance of balance, it conjures for me the image of the high-wire balancing act. You might recall seeing old pictures of the stunt-people who did high-wire acts, and in many of those images, you often see the stunt-people holding a long pole that was intended to help them maintain their balance.

As I think about that image applied to our work, I think of all of us engaged in this fragile, complicated, and at times, daring community-building work as those high-wire stunt-people, with our chances for success aided by two important, balancing forces (think of them as the ends of that balancing pole): first, remaining attuned to the community and, second, building authentic partnerships. I contend that any of us engaged in community building from the funding perspective who can keep those forces in mind will have greater probability of success and of avoiding falling off the wire!

In closing, let me say that I can't let any discussion of philanthropy's role in community building go by without acknowledging what an enormous privilege it is to be associated with a philanthropic institution. My colleagues on the Irvine board and staff and I feel a tremendous sense of responsibility and opportunity as we work together to make the most of Mr. Irvine's benefaction. I consider myself fortunate to have this kind of work, and I'd like to thank so many of you for giving the Irvine Foundation the privilege of your partnership over the years. We look forward to our ongoing and active participation with many of you in the years ahead and to the authentic partnership that I hope will characterize that participation. I appreciate your kind attention this afternoon. Thank you.