



# Pooled Funding Collaboratives

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OPTIONS FOR EXPANDING RESOURCES AND IMPACT IN  
DETROIT'S COMMUNITY DEVELOPMENT INDUSTRY

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## Introduction and Methodology

In support of the BECDD System Capitalization Task Force, a universe of collaborative or pooled funding models was reviewed and analyzed, for recommendations about how such a model might strengthen the capitalization of a “*reimagined community development system*” in Detroit. To begin with, using a study done by REDF (a hands-on venture philanthropic intermediary) and GEO (Grantmakers for Effective Organizations) and a book published by Elwood Hopkins, an initial group of 50 or so foundations was identified. Publicly available background information was reviewed on all these groups and a smaller number of fifteen community development related pools was tabbed for a deeper look into how they operated. This information was further supported by first-hand observations during many years of working with philanthropic affinity groups, which have been an incubating space for pooled funding collaboratives.

It was immediately clear that this landscape of organizations was not all about them practicing the same methods of operating. Using the information from the research, at least three major categories of collaborative or pooled funds can be identified:

- 1) **Pooled funding collaboratives** where each member funder donates money to a single pool of funds. Money from the fund is used for various aspects of the initiative without denoting or distinguishing its original donor. Organizations involved in pooled funding relinquish more control over their funds while creating a flexible pool that reduces the administrative efforts of coordinating multiple funding sources. Within a pooled co-funding group, there are two primary roles funding organizations usually assume:
  - The *lead* funder takes on a leadership role in deciding how the co-funding initiative will operate, the implementation methods for the initiative and the metrics that will be used to determine success. Some parts of the coordination may be delegated to an intermediary.
  - The *participating* funder (or minority investor) contributes to the pool and may offer expertise and advice but doesn’t assume primary responsibility for initiative implementation and fund allocation. Participating funders trust the lead funder’s expertise and leadership and see this as a more efficient approach for them.
  
- 2) In **selective co-funding consortiums**, participating funders make a commitment to the same initiative or same set of grantees, but each separately donates money directly to the grantees to fund a portion of that initiative. Because the funds are never pooled, each organization retains more control over the destination and purpose of its funds; however, a targeted co-funding model requires more administrative effort to coordinate the grants of multiple donors toward a single initiative. Within a targeted co-funding group, there are two primary roles funding organizations can assume.
  - The *lead* funder takes on a leadership role in coordinating funding commitments. Sometimes the lead funder does the due diligence and coordination; sometimes this is delegated to an intermediary.
  - The *participating* funder takes on a more secondary role in selecting and contributing to funds to the recipients of the initiative but has say in the implementation and measurement plans for the portion of the initiative it is funding.

- 3) In **strategically aligned funds**, funders adopt joint or complementary strategies in pursuit of a common goal and put their resources toward aspects of it. Strategic alignment is typically more loosely structured than pooled funding or targeted co-funding. Participants all agree to a set of priorities, but each individual funder administers its own grantmaking processes and decision making. Governance and administration requirements are typically less in strategic alignment than in other co-funding structures, and because of the looser structure, there often is not one foundation playing a lead funder role. Administrative and/or facilitative support can be handled by a staff member at a participating foundation, a consultant or a staff member from an affinity group.

### **Which Co-Funding Model Might Work Best for BECDD’s Purposes?**

It is possible that more than any other sector in Detroit, public and private philanthropy is more equipped and adept at responding to new issues and challenges in a reimagined community development industry. While for the most part, these foundations are largely free from external accountabilities they can, at least theoretically, respond nimbly and flexibly to problems and challenges in the community development sector as they arise. But grounded as they are in traditions, trusts, and endowments, some foundations are confined too much by what they set out publicly as their mission and purpose statement about what they will support.

Also, many foundations in Detroit are guided by missions that may no longer relate to rapidly changing circumstances from decades ago, at a time when many present-day community development problems perhaps could not have been foreseen. And the absence of external accountabilities means that there is little pressure on foundations to regularly and routinely reassess their community development priorities. In an attempt to mitigate these dynamics and have lasting impact, BECDD is using the innovation of a “collective impact” approach to reshape the local community development landscape.

Using a Collective Impact framework, a wide range of community development stakeholders in Detroit is choosing to sit in the same room and work together on the same community development challenges because they share an interest in accomplishing a shared goal. A collective impact approach is helping to fashion a more equitable and impactful community development system in neighborhoods across the city. Although it has been questioned whether collective impact is a “failed model”, with many community development practitioners calling it a top-down model for excluding community members as key stakeholders and partners of the collaboration. BECDD has been very intentional about taking those concerns into account by taking input from a wide assortment of community development players to create an impactful community development system in Detroit that enthusiastically includes a strong commitment to diversity and inclusion, civic participation, social justice and equity.

While there are a few rich examples of coordinated cross-sector collective impact efforts in Detroit already—Residents First Fund, the Good Neighbors Initiative, Strategic Neighborhood Fund, Detroit Community Development Funders Collaborative, Living ng Cities—created to support community development in disinvested urban neighborhoods, philanthropy has not yet changed its funding practices substantial enough to cause a shift to have a “collective impact.” Building the Engine for Community Development in Detroit (BECDD) is creating a community development system that personifies a willingness to invest enough resources in the facilitation, coordination, and measurement required for stakeholders across the community development spectrum to work together in this way.

The community development industry in Detroit needs to conform its capitalization practices to enable the shift to have more collective impact.

*“Large-scale social change comes from better cross-sector coordination rather than from the isolated intervention of individual organizations...” FSG, Winter 2011*

Communities, by nature, are comprehensive living things that can only be understood, and acted upon in a holistic way. The wholeness of a collective impact allows stakeholders to look at the complex interrelationships and interdependencies of the availability affordable housing, healthcare, commercial development, educational facilities, incidence of crime, and recreational amenities. In the context of these eco-system dynamics, what seems to be working out organically and unprompted in the BECDD space is a few instances where a funder identifies a pressing new issue and brings the issue to the attention of peers in hope of rallying them around a cause.

These efforts have seen some success in their fermentation among a few foundations that seem ready to combine their own interests in loosely structured talks with one another. A few new conversations seem to currently underway at the building the engine table around which this dynamic can be observed. A good example of this is the recent discussions about the striking revelations on capacity building, resident engagement, unfunded expectations and long-term sustainability.

Aside from focusing on these issues and state-of-the-art strategies, similar conversations have surfaced around how best to serve the community development interests and needs of under-represented population groups in Detroit. These conversations, and others, suggest that collective impact collaborations like “strategically aligned” funds instead of tightly circumscribed “pooled funds” will likely find more appeal in the BECDD context. Such approach will allow foundation program staff to self-create multiple centers of action and provide impetus for broader appeal than just a single small philanthropic in-crowd and offering opportunities.

By being essentially network-based, BECDD is working deliberately on a “collective impact” framework, creating a platform for the generation of shared goals/outcomes? This creates opportunities for Detroit foundations to influence those goals, working with CDOs and other stakeholders, then align funding around them. Each of these strategic alignments would be positioned to take on new ideas and greater risks and, through its membership, adapt those ideas into a wide range and multitude of forms. Spurred by unprecedented private sector development that’s happening now, and projected in the coming years, reasons funders in Detroit will be impelled to collaborate more will become more widespread, not less. Further, there is an ever-increasing disparity between the comprehensive, multidisciplinary understanding of the community development challenges facing Detroit neighborhoods and the specialized categorical nature of many existing streams of community development capital.

Far from making more efficiency for the community-based development sector (CDO’s), a dis-jointed funding community generates even more counterproductive competition, confusion and contradiction of purpose. And now more than ever, there is mounting practice-based evidence that strategically aligned funders lead to demonstrable benefits. This paper seeks to show how real-world strategically aligned funder collaboratives are having impact through

- **Efficiency.** Greater efficiencies through shared planning and joint funding, as well as reductions in duplication of effort.

- **Impact.** Comprehensive arrangements of funding streams and categorical specializations, making possible more holistic responses to community development challenges.
- **Risk Reduction.** The conditions for responsible risk taking by spreading the potential costs of high-risk/high-yield endeavors.
- **Inclusiveness.** New forms of decision making that promote cross funder dialogue and engage a wider range of stakeholders.
- **Knowledge Enhancement.** Consolidated information management systems, creating shared fields of knowledge across Detroit's community development industry.
- **Flexibility.** Peer-to-peer dynamics that can direct funds toward emerging community development issues and challenges lying outside existing community development funding categories.

Given the trending relevance of strategically aligned funder collaborations and the compelling demonstrations of their efficacy and flexible structures, community development funders in Detroit have a fundamental self-interest as part of BECCDD, to closely examine these collaborative relationships. The goal of BECCDD should not be to monolithically promote pooled funds for the sake of creating pooled funding collaborations. If community development funders in Detroit are to continue to benefit from their unique ability to differentiate and innovate, then it makes sense for them to innovatively blend their different elements into a collaborative culture that reverberate throughout the newly configured community development system.

## **Infrastructure to Cultivate Strategically Aligned Collaborations**

Perhaps an early doable goal would be to establish a supportive system where funders are likely to self-organize. The desired outcome would be one where community development funders in Detroit organize themselves into groupings and networks that share information and take collective action on a case by case basis. It would be an environment where individual funders find specialized roles and opportunities in relation to each other. It would be an environment where constituencies and alliances could form and re-form, where efforts could merge and disband according to needs both in and outside the community development system in the real world.

To accomplish this end goal, there would need to be an infrastructure equipped to continually be on alert in the local community development eco-system for opportunities for funders to coalesce around issues, inject funding in a coordinated and time sensitive manner and that make a difference. Currently BECCDD is working in many ways as its own "backbone organization" in a collective impact framework setting up a platform for the generation of shared goals and outcomes, producing opportunities for key suppliers of community development capital to work together with CDOs and other key stakeholders to then align funding around them.

There are any number of potential private/public institutions in Detroit with a vested interest in strengthening the performance of community development practices and policies that could potentially play a role in the reimagined community development industry. For instance, a growing number of research organizations and institutions have assumed some responsibility for tracking philanthropic data and convening foundations around pressing community development issues that surface. Governments at the city/state level increasingly seek to attract the interest of private sector foundations as co-funders

of public community development initiatives, as well as becoming more aware of the challenges facing CDO sector.

Though perhaps somewhat unstructured, the community development eco-system in Detroit houses an extensive community transformation infrastructure that includes neighborhood networks and block clubs, community development organizations, banks and community development finance institutions, state and local government, public/private groups. Therefore, it would seem designating a collective impact backbone organization dedicated to incubating these types of funding collaborations is a must practical solution. It would be creating the capacity as an in-place network of public/private funders, practitioners and government already familiar with one another and accustomed to interacting with one another, that helps navigate histories of antagonism.

Below are some descriptions of the various roles a collective impact-like a backbone organization would need to play in reimagining community development in Detroit. If community development funders in Detroit decide to lean more into the notion of incubating “strategically aligned” collaborative funds, the backbone organization could offer a range of services and supports, framed as “member services”, stoking the capacity and impetus for the continuous incubation of strategically aligned collaborations fed by the pursuit of fresh information and ideas. Most of these strategies would simply constitute logical expansions of the kinds of supports and services currently provided through BECDD. For example:

- A BECDD backbone organization can convene large-scale periodic conferences and forums where community development specialists and experts from multiple disciplines analyze trends characterizing the current landscape. However, the purpose is not merely to analyze problems, but to identify strategic windows of opportunity where a coordinated or strategically aligned funds could achieve significant impact.
- A BECDD backbone organization can convene groups of funders around these opportunities and offer support to help them develop action strategies and plans and choose an appropriate form of alignment. This kind of an organization typically would have an in-depth and circumspect familiarity with funder interest, they would be ideally positioned to help funders self-select into groups that may find synergies around common interests.
- A BECDD backbone organization can help institute fund accounting systems that allow for the easy fiscal administration of a multitude of funds, with appropriate fees charged for varying degrees of management and support, if needed.
- BECDD backbone organization would maintain interactive databases for tracking the relative flow of resources into specific issue areas or neighborhood geographies. This information can help direct responsive and collaborative migrations of funding to where it is needed most immediately.
- A BECDD backbone organization can cross fertilize learnings from one funder to another, both in terms of substantive knowledge gained and insights into the collaborative process.

In BECDD, a collective impact-like backbone organization would require a special brand of leadership, with a sound overall knowledge of the community development industry in Detroit. Such a backbone organization would need to embody the notion that a supportive servant-style leadership recognizes that the strength of a strategically aligned funder collaborative is within the participating organizations and institutions. In all likelihood, by the end of 2020, many of these functions will have been shifted to the backbone organization and it will have fashioned a new collective impact framework to provide oversight and coordination in a newly configured community development ecosystem in the future.

Most likely there will still be a need to continue to engage a wide range of consultants and specialists who could act as resource persons for the strategically aligned collaborative pools. Key core capacities required for success will be high-level collaboration, group facilitation, group management and conflict resolution. Instead of operating like a standing nonprofit organization, a term-limited BECDD backbone organization should function more like an intermediary-type entity capable of pooling, aggregating, segregating, tracking, managing, auditing, and reporting on a multitude of funding approaches that arise and disappear as needed. It must be able to advance ideas and strategies for reorganizing and rechanneling community development capital and philanthropic dollars on a scale and level of complexity perhaps heretofore unseen in Detroit.

## Requisites for Collective Impact in BECDD

While our understanding of how to put collective impact into practice might be deeper and expanded, the five conditions outlined below must undergird the BECDD approach.

- **Common Agenda:** All participants have a shared vision for change that includes a common understanding of the problem and a joint approach to solving the problem through agreed-upon actions.
- **Shared Measurement:** Agreement on the different ways success will be measured and reported, with a short list of common indicators identified and used across all participating organizations for learning and improvement.
- **Mutually Reinforcing Activities:** Engagement of a diverse set of stakeholders, typically across sectors, coordinating a set of differentiated activities through a mutually reinforcing plan of action.
- **Continuous Communication:** Frequent and structured open communication across the many players to build trust, assure mutual objectives, and create common motivation.
- **Support:** Ongoing support by independent, funded staff dedicated to the initiative, including guiding the initiative's vision and strategy, supporting aligned activities, establishing shared measurement practices, building public will, advancing policy, and mobilizing funding. Backbone staff can all sit within a single organization, or they can have different roles housed in multiple organizations.

Incubating strategically aligned co-funding collaborative initiatives is a viable strategy for increasing the efficacy of capital flow in a revamped Detroit community development system, certain steps must then be taken to ensure success. Because BECDD is slated to be sunset at some time in the future, and strategically aligned co-funding approaches usually aim to create long-term commitments, designation of a backbone organization is imperative—reimagining the community development system in Detroit will be more like a long-distance marathon than a sprint.

Grantmaking approaches reviewed for this paper, by and large make it clear that these three steps helped ensure success with their strategically aligned funding collaboratives.

- 1) Agreement on the goals.
- 2) Investing time and resources that corresponded with the results they wanted to achieve.
- 3) Clearly articulated measures of success.

In Detroit from time to time, an individual foundation identifies a pressing new issue and bring it to the attention of peers in hopes of persuading them to rally around the cause. These efforts have had some success. Through BECDD though, foundations in Detroit are showing a willingness to subvert their own interests and agendas, to a degree, to those of another solitary funder. A group of funders working together is one thing. However, when a collection of funders begins to coalesce around a new issue, foundation executives and trustees seem less inclined to dismiss that issue as only the particular concern of a single funder.

The convergence of interests represented by strategically aligned funding pools in Detroit would impel them to collectively ask hard questions about the relevance of their grantmaking to an ever-changing community development environment. These pooled funding collaboratives can function as vanguards—direction setters for the entire field of community development in Detroit and elsewhere. Like a bird that alters direction, only to have the entire flock follow suit, a strategically BECDD aligned funder collaborative can shift capital flows toward new community development priorities.

## **Collective Impact Principles of Practice: Tips for Successful Strategically Aligned Co-Funding Efforts in Detroit**

We have all been quite inspired watching the disciplined practice of collective impact progress over the past few years, as thousands of practitioners, funders, and policymakers across the country employ the approach to help solve complex social problems at a large scale. Our understanding of what it takes to put the collective impact approach into practice to revamp the community development ecosystem in Detroit continues to evolve. Through the contributions of many who are undertaking the deep work of collaborative social change, and their successes BECDD builds on decades of work around effective cross-sector collaboration.

Accomplished practitioners of collective impact continue to affirm the critical importance of achieving population-level change in the five conditions of collective impact that John Kania and Mark Kramer originally identified in the Stanford Social Innovation Review in winter 2011. (For an explanation of the conditions, see the end of this document.) Many practitioners tell us that the framework developed in the original article has helped to provide the field with a shared definition and useful language to describe core elements of a rigorous and disciplined, yet flexible and organic, approach to addressing complex problems at scale.

Informed by lessons shared among those who are implementing collective impact approaches, some principles of practice are outlined below to show practitioners how to successfully put collective impact into action. While many of these principles are not unique to collective impact, the combination of the current conditions in Detroit's community development system and these practices creates conditions that can lead to meaningful community-level change. These principles can help funders, practitioners,

and policymakers be aware of what it will take to effectively apply the collective impact approach and nudge them to work collaboratively to overcome challenges and roadblocks that might show up in their work.

Corporations, Philanthropy, CEOs, non-profit and social-sector executives, government officials and community service practitioners all have made contributions to the evolving concept of BECDD's collective impact approach in the form of their insights, feedback and critique. The following list reflects insights and take-aways from those contributions and some of the many ways in which a Collective Impact approach gets it right.

- 1. Design and implement the initiative with a priority placed on equity.** For collective impact initiatives to achieve sustainable improvements in communities, it is critical that these initiatives address the systemic structures and practices that create barriers to equitable outcomes for all populations, particularly along the lines of race and class.
- 2. Include community stakeholders in the collaborative.** Members of the community—those whose lives are most directly and deeply affected by the problem—must be meaningfully engaged in the initiative's governance, planning, implementation, and evaluation.
- 3. Recruit and co-create with cross-sector partners.** Collective impact collaboratives are created by and composed of actors from across sectors and parts of the community, including nonprofits, government, private sector, philanthropy, and residents.
- 4. Use data to continuously learn, adapt, and improve.** Collective impact is not a solution, but rather a collaborative problem-solving process. This process requires partners to remain aware of changes in context, to collect and learn from data, to openly share information and observations with others, and to adapt their strategies quickly in response to an evolving environment.
- 5. Cultivate leaders with unique system leadership skills.** For collective impact initiatives in Detroit to achieve transformational change, leaders must possess strong facilitation, management, and convening skills. They must be able to create a holding space for people to come together and work out their disparate viewpoints and they must possess the capacity to foster shared meaning and shared aspirations among participants. These system leadership skills are essential for the backbone organization, and also other leaders in the collaborative such as steering committee members, community leaders, and action team leaders.
- 6. Focus on program and system strategies.** The mutually reinforcing activities that the BECDD initiative takes on to achieve its goals should focus on collective program and system change strategies rather than individual programs or organizations.
- 7. Build a culture that fosters relationships, trust, and respect across participants.** Collective impact partnerships require participants to come to a common understanding of the problem and shared goals, to work together and align work in new ways, and to learn from each other. The backbone organization and other initiative leaders must be proactive in their efforts to create this culture.
- 8. Customize for local context.** While the five basic conditions are consistent across most collective impact initiatives, and initiatives benefit a great deal by learning from each other, community context



enables the coalition to honor, build on, and/or align with existing work and pursue system and program strategies that are most relevant to local needs.

## **Conclusion**

Pooled Funding Collaboratives play a range of important roles in the philanthropic and non-profit community-based development sectors. While each one is unique in its services and structure, all of these collaboratives allow community development stakeholders to accomplish the critical and innovative resourcing of community development work that they would be unable to do as separate organizations. To continue resourcing very important community development functions in Detroit, and to build on the organic culture of multi-stakeholder problem-solving now becoming evident through BECDD's process, formal and informal platforms should be created that nurture more collaboration and strategic planning.