



The Alleghany Foundation: Strategic Thinking for Community Transformation

A Report on the Foundation's Reflective
Practice Engagement

Presented to the Foundation's Board of Directors

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Preamble

The Alleghany Foundation recently completed a process called *Reflective Practice*, a method developed by MDC, Inc. to help philanthropic institutions strategically use their resources to build more prosperous, equitable and sustainable communities. In this report, we summarize the process and suggest strategies and actions to pursue over the next year.

MDC designed *Reflective Practice* to help foundations appreciate the strengths and limitations of their current approaches to philanthropic investment, develop new grantmaking strategies to increase the impact of their assets (including but not limited to financial assets), and build the organizational commitment and capacity needed for successful implementation. The specific goals of *Reflective Practice* are three-fold:

- To build a shared understanding within the Foundation’s leadership of the history, emerging context, and philanthropic traditions that should inform the Foundation’s strategy;
- To determine the best options for strategic investment of the Foundation’s resources in order to advance its mission; and
- To produce a plan to implement strategic grantmaking.

Undergirding the Alleghany Foundation’s decision to undertake *Reflective Practice* was its belief that this philanthropic institution can more strategically use its resources to build upon the strengths and meet the challenges facing the Alleghany Highlands. The governing concepts, key lessons, and specific action steps contained in this report represent the culmination of seven months of inquiry, conversation, and reflection. Board and staff members emerged with a new vision for the foundation as a catalyst for positive change as well as with specific directions for moving forward.

About MDC

MDC’s mission is to help organizations and communities close the gaps that separate people from opportunity. This Chapel Hill, North Carolina-based non-profit has been working to create positive change in disadvantaged communities for more than 40 years, conducting research and demonstrating effective programs at the community, state, and regional levels. MDC focuses on three areas: education; economic and workforce development; and asset building and strategic philanthropy and is supported by grants and contracts from foundations, federal, state, and local governments, and the private sector.

I. Background

The Process of *Reflective Practice*

Reflective Practice is designed to engage participants in reflective conversations that are supported by data and to move participants toward a required action or set of actions. Though structured according to an established template, MDC’s *Reflective Practice* is tailored to meet the specific characteristics of particular institutions working in unique places.

The directors of the Alleghany Foundation were motivated to engage in *Reflective Practice* because of their sense that the Foundation's significant assets and central role as a critical institution in the Alleghany Highlands region were capable of producing more significant impact. They recognized that the Foundation possessed impressive financial assets for the size of its service area, was staffed and directed by committed individuals, and could claim a record of important investments in its region. Yet they also saw that their region faced mounting economic, educational and civic challenges that existing institutions were reluctant or unable to address successfully. They further recognized that the Alleghany region was in danger of becoming dependent on the Foundation as a financial savior and less as a strategic partner in the shared work of building a stronger regional future. To help the Foundation address these frustrations, MDC designed this *Reflective Practice* engagement as part of a larger conversation about challenges and opportunities facing the Alleghany Highlands region. The process unfolded over seven phases, as follows:

- **Orientation** – MDC introduced the board and staff to *Reflective Practice's* structure and goals and provided guidance on the roles and expectations of the board, staff, and MDC.
- **Community Timeline** – Using the knowledge of the board and staff, MDC facilitated an examination of the Alleghany Highlands' history, emphasizing the region's assets, economy, leadership, and key philanthropic investments. This close look at the region's history was designed to help the board understand what types of philanthropic investment and leadership are most effective at triggering progress and systemic change.
- **Data on the Emerging Future** – Offering secondary data compiled from publicly available sources, MDC guided the board and staff in a discussion of the trends defining the region's future; how the region compares to its peer communities, the state and the nation; and the issues demanding a local leadership response.
- **Philanthropic Options** – The board scrutinized four distinct “traditions” of giving and applied this lens to the foundation's prior grantmaking. The four traditions of philanthropy are: Philanthropy as Relief, Reform, Improvement, and Civic Engagement.ⁱ
- **Strategic Options** – With guidance from the board, and with an analysis of challenges and opportunities facing the region, MDC presented a set of strategic frameworks for the board's discussion and used the board's reactions to suggest future actions.
- **Plan Development** – MDC compiled the lessons learned over the course of *Reflective Practice* into a written report for the board's consideration that summarized the process, offered useful concepts, proposed a Vision and Mission, and suggested first year action steps.
- **Board Review and Approval** – The board of the Alleghany Foundation discussed, revised and ratified the report.

While *Reflective Practice* is structured to take a deep look *within* an organization, community, or region, MDC believes that success always requires naming current constraints, challenging assumptions, and looking *outside* present boundaries. Throughout our engagement with the Alleghany Foundation, MDC offered concrete and relevant examples from past work. In this report, we offer examples of resources, individuals, or initiatives that we believe will be of use to the Alleghany Foundation in their work going forward. These examples are not meant for exact imitation, but rather as instructive cases to put some very real “meat” on the bones of the specific action steps we have proposed.

What Reflective Practice Revealed: Key Opportunities and Challenges for the Allegheny Highlands

Central to the *Reflective Practice* process is the use of data to create shared assumptions about the issue at hand; in this case, the future of the Allegheny Highlands. When coupled with reflective conversation and outside perspective (provided by MDC), the process is useful for eliciting “hidden” themes or forces in a community’s history that have a significant bearing on current outcomes and expectations for the future. The Allegheny Foundation’s acceptance of the core principles of *Reflective Practice* helped to elevate some critical opportunities and challenges that had not previously been explicitly articulated.

Figure 1 shows MDC’s distillation of these key opportunities and challenges, organized according to four main themes that repeatedly emerged as vital issues in the region: **Economic Transformation, Educational Attainment, Community Capacity, and Leadership and Civic Vitality**. A description of a fifth key theme that emerged during the process, **Health and Wellness**, follows the chart below. A more complete listing of key themes from the “background” stages of *Reflective Practice*, including key data informing our research, can be found in **Appendix A**. Selected board and staff responses to strategic homework assignments can be found in **Appendix B**.

Figure 1: Key Opportunities and Challenges for the Allegheny Highlands

Economic Transformation	Educational Attainment	Community Capacity	Leadership and Civic Vitality
Opportunity: The region possesses significant natural resources, an enviable location, and unlike many Southern communities, is not burdened by persistent poverty.	Opportunity: A significant majority of young people in the Allegheny Highlands report plans to pursue post-secondary education at both two- and four-year institutions.	Opportunity: The impetus for a regional approach could provide a timely venue for the Foundation to release its new vision for the region.	Opportunity: A small but committed set of leaders created the current foundation out of the hospital’s sale and helped to build a new YMCA in the region.
Challenge: The region is economically dependent on a small number of mature industries and has an underdeveloped culture of innovation and entrepreneurship.	Challenge: Compared to peer communities, the region has low rates of educational attainment, and few educated young people remain in the region.	Challenge: The region possesses a very small nonprofit sector to carry out the Foundation’s vision. Local institutions are isolated from currents of innovation.	Challenge: There is a perceived scarcity of young, emerging leaders in the region. The challenges facing the region will require vigorous, informed, multi-faceted leadership.
Challenge: The region possesses many thoughtful written plans, but there is a lack of strategic alignment focused on economic development.	Opportunity: The Allegheny Highlands possesses a quality two-year institution in Dabney Lancaster Community College.	Challenge: There is a strong perception that citizens in the Allegheny Highlands are too willing to settle for the status quo.	Challenge: The Allegheny Highlands consistently shows low rates of voter turnout, one important measure of civic participation.

While *Reflective Practice* did not examine detailed data related to individual and community health outcomes, the board of the Alleghany Foundation expressed a strong consensus that health and wellness is a vital subject in the Alleghany Highlands and that there exists an inherent relationship between health and wellness and the other main themes enumerated in the chart above. The board also showed a consistent desire that health and wellness would continue as an explicit focus of the Foundation’s work and grantmaking.

Five Concepts That Deepen Philanthropic Impact

The following five concepts were central to clarifying the roles of the foundation and devising strategies and action steps for moving forward.

➤ Concept 1: The Cycle of Development

Central to the foundation’s guiding strategy is MDC’s **Cycle of Development**, which provides a framework for creating and sustaining a vibrant and prosperous community.ⁱⁱ This model envisions a continuing process of investment and re-investment, producing the needed workforce, amenities, public and private institutions and environment that can continue to sustain a vigorous economic engine.

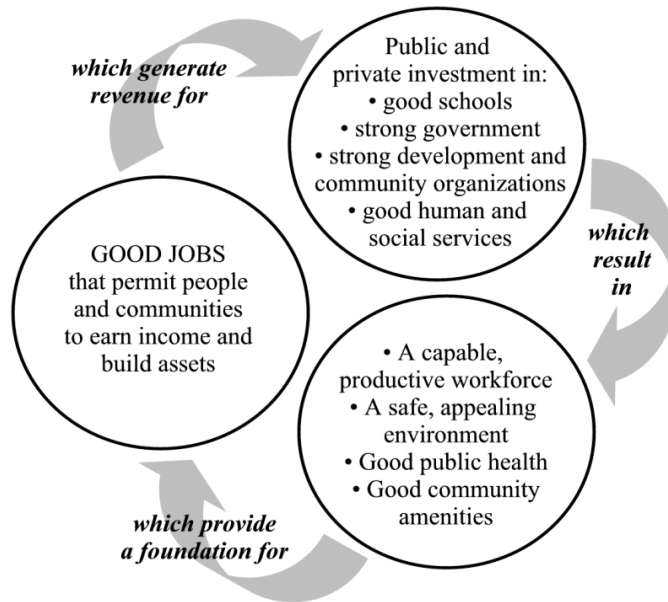


Figure 2: The Cycle of Development

➤ Concept 2: Upstream versus Downstream Investment

Central to the board’s search for strategic direction is the importance of addressing the causes rather than symptoms of serious community challenges. The analogy to a river is instructive: when faced with cleaning up a polluted river, do we focus our efforts downstream, where people are becoming sick? Or, do we focus upstream, where the pollutant is introduced into the water? Grantmaking can work the same way: **downstream grants** respond to immediate conditions and have direct results (e.g. providing downstream residents with bottled water), while **upstream grants** are proactive, address causal factors, and focus on changing underlying conditions over the long term (e.g. introducing policy that prevents the pollution of the river). While historically the Alleghany Foundation’s grantmaking has fallen more heavily on the downstream side of the spectrum, the Foundation’s board and staff recognize that downstream investments alone will never eliminate the root causes of the problems it seeks to alleviate. Although the Foundation will continue to address the immediate needs of the community, it is now working to change the underlying conditions that lie at the heart of the challenges facing the region.

➤ **Concept 3: Traditions of Philanthropy**

Philanthropy has always been a fundamental element of American society, and four main traditions have emerged as American society has evolved.ⁱⁱⁱ Philanthropy as **relief** is a fundamental and ancient human impulse – a necessary attribute of a compassionate society. Philanthropy as relief operates on the principle of compassion and aims to alleviate human suffering by addressing basic or immediate needs. This tradition, which is best embodied today by the idea of “charity,” fills an important role in society, but does not address the causes of poverty and suffering. The idea that charity can create dependence and perpetuate neediness led 19th century philanthropists such as Andrew Carnegie to forge the tradition of philanthropy as **improvement**, which operates on the principle of progress and aims to maximize human potential. By stressing individual responsibility and rewarding merit, this tradition is grounded in mutual responsibility and seeks to position people for success and provides them with a ladder to climb.

To continue the analogy, even with more ladders in place (and more solidly built ladders, at that), structural barriers can make access to these ladders difficult. A new tradition emerged among activist foundations in the 20th century, one that acknowledges structural barriers and works to remove them. Philanthropy as **reform**, which operates on the principle of justice, actively identifies and attempts to solve social problems by analyzing the circumstances of poverty, the impact of disparate allocation of resources and the role that policy plays in perpetuating poverty. In practice, social reform is often carried out by a handful of players operating on behalf of – but not in partnership with – the community. Recognizing the power of inclusion in making lasting social change, the final tradition of philanthropy focuses on **civic engagement**. Guided by the principle of authentic participation, this tradition aims to build an inclusive and empowered community that solves problems collaboratively and with pooled resources.

The Alleghany Foundation’s past grantmaking focused heavily on **relief** and **improvement**. Moving ahead, the Foundation intends to work more broadly across the spectrum and diversify its approach to support **reform** and **civic engagement** grantmaking as well.

➤ **Concept 4: Five Forms of Philanthropic Capital**

Effective philanthropic institutions deploy all of their assets, not just their capacity to make grants and investments. In addition to their financial assets (termed **Conventional Capital**), foundations possess critical **Social, Intellectual, Reputational** and **Moral** capital. Foundations deploy **Social Capital** when they utilize the networks and relationships they enjoy with other civic institutions and leaders to foster change. Foundations deploy **Intellectual Capital** when they generate and disseminate meaningful information, data, and knowledge to grantees, partners and the community to frame challenges, catalogue promising solutions, and broaden the community’s repertoire of strategy options. Foundations employ **Reputational Capital** to place weight behind issues and solutions, to reinforce the urgency of change, and to change the civic conversation about the destiny and future direction of their communities. Finally, a foundation employs its **Moral Capital** when it takes courageous and unpopular positions on issues that are critical to the long-term health and sustainability of the region.^{iv} Given the challenges and opportunities facing the Alleghany Highlands, the Alleghany Foundation recognizes the need to use all its available forms of capital as it seeks to transform its role in the community.

➤ **Concept 5: The Social Determinants of Health**

In the field of public health, it has become broadly accepted that social determinants (such as the circumstances in which people grow, live, work and age and the systems put in place to deal with illness) have a profound effect on health outcomes (and inequitable health) at the individual and community level. The core idea of the **social determinants of health** is the relationship between economic and social inequalities and disparate health outcomes for individuals and families across societies.^v

Like the discipline of public health, the field of community development has long seen health as both an input and an outcome of economic well-being and sustainability. Theories of human capital hold that our ability to earn income and build wealth in a market economy depends upon the strength of our physical and, increasingly, our intellectual assets. If our mental or physical assets are impaired, our ability to earn is compromised and our economic status is endangered. And if our economic assets fail to produce strong market returns, we will lack the resources to maintain our health. In sum, there is a symbiotic relationship between earnings and health at the individual level. The Foundation will employ the logic of the social determinants of health to explore the connections between health outcomes and economic vulnerability of residents in the Alleghany Highlands.

II. A Guiding Strategic Framework

“What is a sustainable community? To me it is a community where our children will be well educated and they can choose to stay or return to the community if they wish when they are adults. Therefore, to build a sustainable community we must have a versatile job market, adequate housing, excellent educational opportunities, recreation opportunities and a social community network.”

- Alleghany Foundation Board Member

In order to meet the challenges and promote the opportunities facing the Alleghany Highlands, the Alleghany Foundation should develop and share a new vision and mission for its work in the region. MDC distilled the key lessons of the *Reflective Practice* process and produced the following Vision and Mission Statements to describe the new focus and commitment of the Alleghany Foundation. The Vision Statement expresses the Foundation’s sense of the possibility of the Alleghany Highlands; the Mission Statement captures the Foundation’s contributions to realizing this vision.

Vision Statement – The Future the Foundation Desires:

“The Alleghany Highlands is a civically engaged, prosperous region that builds upon its assets to produce vigorous opportunities for all its residents to succeed.”

Mission Statement – The Foundation’s Role in Shaping the Future:

“The Alleghany Foundation seeks to become a catalyst for positive change in the Alleghany Highlands. We use our multiple forms of capital to refocus the region’s aspirations and goals, build the capacity of our grantees and partners, seed and support innovation, and measure and mark progress.”

Areas of Focus

To fulfill the Foundation’s mission and reach toward the vision described above, the Alleghany Foundation will focus its resources on the following substantive areas:

Figure 3: The Alleghany Foundation’s Areas of Focus

Economic Transformation	<ul style="list-style-type: none">• <i>Harness our strengths to develop a vibrant, diverse and higher-wage economy that can compete in the global marketplace.</i>
Educational Attainment	<ul style="list-style-type: none">• <i>Build the human capital base for a new economy that provides all Alleghany Highlands residents with a fair chance of success.</i>
Community Capacity	<ul style="list-style-type: none">• <i>Grow local institutions and organizations with the vision, will, wisdom and skills to work together to build a more prosperous, equitable, just and sustainable community.</i>
Leadership and Civic Vitality	<ul style="list-style-type: none">• <i>Develop broad-based inclusive leadership that can sustain a forward-looking agenda for the community.</i>
Health and Wellness	<ul style="list-style-type: none">• <i>Help the residents of the Alleghany Highlands lead healthier lives and access the comprehensive health care they need.</i>

Areas of Focus – Breakout

- 1. Economic Transformation.** *Harness our strengths to develop a vibrant, diverse and higher-wage economy that can compete in the global marketplace.*
 - Leverage the region’s natural resource and historic heritage base.
 - Foster innovation and entrepreneurship.
 - Connect to regional and state strategies and resources.
 - Develop a full continuum of business development services for retention, expansion and recruitment, focusing on developing “niche” sectors in retail and manufacturing.
 - Strategically market the community.
 - Purposefully link to the region’s workforce development programs.
- 2. Educational Attainment.** *Build the human capital base for a new economy that provides all Alleghany Highlands residents with a fair chance of success.*
 - Set goals for post-secondary educational attainment for all segments of the regional population. Pay attention to closing equity gaps (gender, income, race).
 - Collaborate with Dabney Lancaster Community College to create world-class programs that prepare local residents for living wage work and entrepreneurial careers.

- Implement a “relationship management” program with local employers to develop training and services that raise worker productivity.
 - Incubate new approaches to credentialing and career pathways that create local opportunities for motivated residents to remain in the region.
- 3. Community Capacity.** *Grow local institutions and organizations with the vision, will, wisdom and skills to work together to build a more prosperous, equitable, just and sustainable community.*
- Re-negotiate the social contract between local government and the Foundation regarding funding of capital projects and community services.
 - Build high-performing organizations in the non-profit sector.
 - Ensure that the community is getting a competitive share of state and federal resources.
 - Promote regional collaboration among local governments, nonprofit organizations, and funders.
 - Grow participation in democratic institutions and processes.
 - Ensure that voices from all parts of the community participate and are heard in deliberations on the region’s future.
- 4. Leadership and Civic Vitality.** *Develop broad-based inclusive leadership that can sustain a forward-looking agenda for the community.*
- Develop new and young leaders with the vision and appetite to lead change.
 - Retain talent in the community.
 - Recruit talent to the community.
 - Provide regular opportunities and time for community discussion, engagement and celebration.
 - Bring new ideas into the community.
- 5. Health and Wellness.** *Recognizing that class, race and ethnicity play a key role in health outcomes, help the residents of the Alleghany Highlands lead healthier lives and access the comprehensive health care they need.*
- Set goals for the health outcomes of the entire community as well as for specific populations at higher risk for illness, premature death and disability.
 - Embark on a learning program to understand the opportunities and barriers to achieving desired health outcomes in the Alleghany region, particularly among lower income and minority residents.
 - Focus on both dimensions – health and wellness – by supporting strategies (proven and innovative) that improve access to health care particularly for the uninsured and underinsured as well as those that promote behaviors that fight obesity and prevent illness and disease.
 - Collaborate with partners within the community as well as with public and private initiatives outside of the region to leverage financial, technical, academic and other institutional resources.
 - Structure foundation investments to provide returns in multiple programs areas e.g. building on the region’s natural attractions to both draw tourists and engage residents in physical activity.

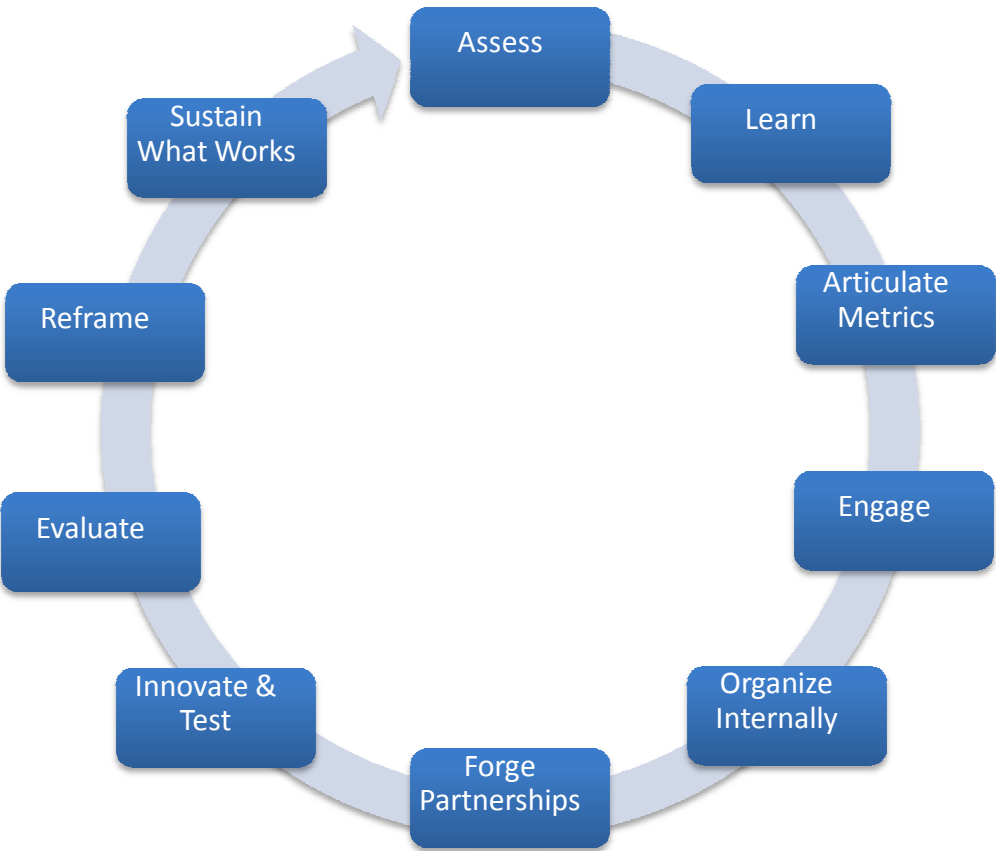
A New Way of Working: The Foundation’s “Flywheel” for Change

The following ten steps describe a new way of working for the Alleghany Foundation, one that propels the Foundation to a catalytic role for progressive change. These steps define a sequence of problem solving that involves the strategic deployment of multiple forms of philanthropic capital to seed and secure a stronger future for the Alleghany Highlands.

1. **Assess.** Do regular SWOT (Strengths, Weaknesses, Opportunities and Threats) analyses of the Alleghany Highlands. Examine comparative benchmarks. Identify and understand the strengths and weaknesses of current and potential partners (grantees and institutions).
2. **Learn.** Identify strategies that have the most power and promise to bring the community closer to the vision through doing site visits and bringing in experts. Invest in ongoing knowledge development.
3. **Articulate Metrics.** Set short and long term benchmarks for all components of the Cycle of Development.
4. **Engage** the full spectrum of community members to build deep civic support for community innovations and to broaden and deepen the leadership base. Convene grantees and others to build constituencies, disseminate ideas and solicit community creativity and leadership.
5. **Organize Internally.** Staff the foundation to fully utilize all its capital (conventional, social, intellectual, reputational and moral) as a catalyst for change. Shift the focus, culture and practices of the board. Establish supporting grantmaking criteria and practices.
6. **Forge Partnerships.** Target and grow grantees that can advance the Cycle of Development through capacity building and technical assistance. Strengthen the ability of the community’s institutions to achieve excellence, equity, engagement and openness. Activate sympathetic investors, thinkers and doers inside and outside the community.
7. **Innovate and Test.** Build prototypes and introduce smart strategies based on analysis and learning in the focus areas of the Cycle of Development. Target grantmaking to initiatives with promise to promote the Cycle of Development.
8. **Evaluate.** Measure what is relevant to advance the Cycle of Development. Commission evaluations. Engage in reflective practice.
9. **Reframe.** Shift strategies, partners and investments to respond to learnings and new challenges and opportunities as needed.
10. **Sustain what Works.** Clarify the Foundation’s role in continuing activities that promote the Cycle of Development. Solidify through a five year plan.

The mechanical metaphor of a flywheel may prove illustrative in showing how the Foundation will need to proceed with these ten steps to take on a more proactive role as a catalyst in the Alleghany Highlands. In an actual flywheel, the challenge is to start the wheel spinning – as movement begins, momentum grows, and a certain velocity is achieved, the flywheel will continue to spin at a near-constant rate. Initiating the wheel’s rotation by pushing on the wheel at only one or a handful of points is inefficient. A concerted effort by many hands pushing on the wheel at a number of points makes it much easier to start the heavy wheel spinning. In this case, the flywheel represents the Foundation taking on a role as a catalyst for positive change in the Alleghany Highlands. The ten steps outlined above can be thought of as “levers” attached to the flywheel; using only one or a handful of the available levers is much less efficient than pushing on all ten. The Alleghany Foundation will need to maintain sustained, concerted effort on each of these “levers” to achieve measurable progress in moving the wheel and setting it spinning. **Figure 4** illustrates the action steps outlined above residing on a “flywheel.”^{vi}

Figure 4: The Alleghany Foundation’s “Flywheel” for Stimulating Change



III. Conclusion

The Alleghany Foundation is uniquely positioned to operate as a catalyst for positive change in the Alleghany Highlands. As part of *Reflective Practice*, the board of the Foundation engaged in analysis of the region’s history, assets, and challenges and explored a broad spectrum of philanthropic and strategic options. The board and staff now envision the Foundation as a proactive and strategic partner for local organizations and institutions in the region, focusing on economic transformation, educational attainment, community capacity, leadership and civic vitality, and health and wellness. Collectively, these five focus areas will provide the stepping stones to making the Alleghany Highlands a civically engaged, prosperous region that builds upon its assets to produce vigorous opportunities for all its residents to succeed.

Endnotes

- ⁱ Lynn, Elizabeth and Susan Wisely. “Toward a Fourth Tradition of Philanthropy.” From *The Perfect Gift: The Philanthropic Imagination in Poetry and Prose*, ed. A. Kass, Indiana University Press, 2002.
- ⁱⁱ © 2002, MDC, Inc.
- ⁱⁱⁱ Lynn and Wisely, 2002.
- ^{iv} Jim Joseph, Keynote Address, 2008 Rural Partners Forum, October 2008.
- ^v The World Health Organization, Commission on Social Determinants of Health. “Closing the Gap in a Generation: Health Equity Through Action on the Social Determinants of Health.” 2008.
- ^{vi} The “flywheel” is an adaptation of a similar concept found in *Good to Great – Why Some Companies Make the Leap.....and Others Don’t*, by Jim Collins, HarperBusiness, 2001.