

## **The F.B. Heron Foundation's Program Review Summary of Lessons Learned from Geographic Clusters**

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### **Background**

During its initial years of operation, the F.B. Heron Foundation funded organizations located throughout the United States and supported a wide range of program strategies including job training, services for homeless individuals, scholarships, and family support, in addition to home ownership and economic development activities. Over time, the Foundation Board and staff made decisions to narrow the Foundation's focus to a well-defined set of wealth creation strategies -- home ownership, access to capital, and enterprise development -- and to limit the number of geographic areas (called "clusters" at Heron) where the Foundation would fund. Note that beyond Heron's grantmaking within geographic clusters, the Foundation has always supported a strong roster of national and regional organizations that it considers key "strategic partners." In addition, the Foundation's mission-related investing is not limited geographically.

In 2004, the Foundation made the decision to concentrate some its grantmaking within 12 geographic clusters.<sup>1</sup> Previously, the Foundation had provided funding to organizations in 37 states. The decision to consolidate was based on several factors, specifically to:

- Allow for greater familiarity and engagement in a more manageable number of locations. This was partly in response to results from the Center for Effective Philanthropy's survey of grantees on which Heron was rated relatively low on community knowledge.
- Increase funding in those locations to a more limited number of organizations that can demonstrate impact in creating wealth for low-income individuals and communities.
- Increase efficiency by limiting the number of places where staff members need to travel and spend time with local organizations, funders, and decision makers.

From 2005 to 2008, the Foundation funded numerous organizations within the 12 designated geographic clusters. As a part of its Program Review process, conducted in 2007 and 2008, the Foundation re-examined its overall strategy, including its geographic targets, and made the decision to further reduce the number from 12 to five clusters<sup>2</sup> within the United States. Here is a summary of key lessons learned from the Foundation's experience funding over the past three years in 12 geographic clusters:

**Effectiveness** was a major impetus for limiting the number of geographic areas in which Heron funds. Heron staff members believe that they did, in fact, gain a better understanding of the policy context, players, challenges, and grant and investment opportunities within the clusters. Nevertheless, one lesson learned is that it takes time and effort - and especially relationships - to develop this community knowledge. Information improves with a broader set of funding relationships. Therefore, funding in

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<sup>1</sup> The 12 clusters were: Appalachia, California, Chicago, Kansas City, Michigan, Minneapolis/St. Paul, Mississippi Delta, New Jersey, New York City, North Carolina, Texas, Washington, DC.

<sup>2</sup> The 5 clusters are: Appalachia, Michigan, Mid-South Delta, New York City, Texas

still fewer places should enable staff to gain even better local knowledge and, hopefully, better-informed strategies. Implications for Heron:

- Consolidate further.
- Articulate funding strategy more clearly and publicly in each of the five remaining “clusters.”

**Efficiency** was a second major impetus for selecting a limited number of locations. It has been modestly more efficient to serve fewer clusters, but multiple trips to the same clusters for deeper engagement required a comparable amount of staff time and budget. Implication for Heron:

- Focus on a “critical mass” i.e., the number and extent of relationships, rather than efficiency as the key consideration going forward.

**Influencing policy change** is a challenge even for funders with substantially greater local presence and substantially longer history in an area than Heron has. Implications for Heron:

- Maintain reasonable expectations of influencing the policy agenda.
- Choose places with a framework for improving policies, then fund local players and connect with local influencers, perhaps in a supporting role.

**Where Heron can make the greatest difference** is not necessarily within the strongest clusters that have the most significant local capacity, policies supportive of wealth creation policies, and commitment from local philanthropy. Some of Heron’s clusters clearly have sufficient momentum, support, and skills such that Heron’s contribution is not as critical to their success. As part of the Program Review process, Heron staff asked: How much difference has Heron made or would likely make in the future in these places? Staff concluded that Heron’s involvement was more critical in a middle tier of sites with significant promise but where Heron’s engagement could be a key catalyst. Implications for Heron:

- End intensive involvement in several very high performing clusters.
- Preserve key learning relationships with organizations within those clusters that meet the criteria to be funded as a strategic partner.

Several intermediate clusters offered some evidence of traction (e.g. emerging policy alignment, support for practitioner-led evaluation, key philanthropic partners, engagement of national strategic partners). Implications for Heron:

- Invest more deeply in the remaining geographic clusters.
- Encourage strategic partners to deepen their relationships in these areas.
- Build connections between grantees and investees in these clusters.

Substantial learning and innovation comes from high performers within some of the geographic areas that are not being retained as funding cluster for Heron. Implication for Heron:

- Pursue a “hybrid” approach that enables us to preserve key relationships with groups whose work is local, but who are connected to national learning networks.