

# PHILANTHROPY®

## The Impact Evangelist

Entrepreneur Mario Morino, a venture-philanthropy pioneer, leads an invitation-only group crusading to improve charity performance. It's not easy.

By MARC GUNTHER

**M**ARIO MORINO would soon turn 70. For a blue-collar kid from Cleveland, he had done very well for himself. He had made a fortune in the software industry and given a lot of it away — about \$40 million, he estimates. He had helped pioneer venture philanthropy, an approach to charitable giving modeled on venture capital. He had written a book called *Leap of Reason*, urging nonprofits “to create more meaningful, measurable good.”

Morino was unsatisfied. He took time off after publishing his book, and he was restless.

“I felt guilty,” he recalls. “I’d been out of the action for two years.” He could have joined another board or two, but he wanted more. So he set out to build a movement to improve the performance of America’s charities.

“There are too many nonprofits,” Morino says, “that are just not doing enough to ensure they’re making a positive difference.”

This was 2013.

Beginning with a handful of collaborators, Morino gradually persuaded dozens of leaders of nonprofits and foundations to form an organization known, inelegantly, as the Leap of Reason Ambassadors Community.

Five years later, the by-invitation-only group, which operates mostly by email and phone, has about 160 members. (Among the best-known are Jeff Bradach of Bridgespan, James Canales of the Barr Foundation, Dan Cardinali of Independent Sector, Kathy Reich of the Ford Foundation, Nancy Roob of the Edna McConnell Clark Foundation, and Bill Shore of Share Our Strength.)

Together they have produced thousands of words, recorded many hours of videos, and built an extensive set of tools, all designed to help themselves and their peers build, evaluate, and sustain what they call high-performance organizations.

How’s it going? Morino feels good about the ambassadors, the connections they have built, and the products they have produced.

“We’ve got great people,” he says. “They care immensely. It is a real community.” But the com-

munity’s ideas and practices have taken longer than he would have liked to spread beyond its members. “We’re growing a nucleus of people who see a common horizon,” he says. “Now it’s time to go into campaign mode.”

### Resolve, Resources, and Tools

“Not many nonprofits manage to outcomes, and among those that do, few do it well.” So said McKinsey & Co. consultants Lynn Taliento, Jonathan Law, and Laura Callanan in their introduction to *Leap of Reason*.

It’s not that the leaders of charities don’t care enough or aren’t smart. What seems to be missing, they say, is a lack of resolve to take on the hard work that change requires, insufficient resources to invest in management capacity, and the absence of tools to do so effectively.

The Leap community is designed to attack on all three fronts. True to their name, the ambassadors are expected to evangelize for better, outcomes-focused management. They argue, too, that donors should support their grantees’ learning and improvement. And they have collectively developed content to spread the word and tools to drive high performance.

They went on to build a framework called the Performance Imperative, aka the PI, which includes seven principles touching on the role of leadership and boards and the need for external evaluation. (See article on Page 34.) The PI is based not on research but on the collective experience of leaders of the community; it took more than a year to develop.

Since then, the group has built a tool called the Performance Imperative Organizational Self-Assessment, which helps charities measure their progress, and a PI for small nonprofits. It’s also developing PIs for health-care organizations and faith-based groups.

Lowell Weiss, a former Gates Foundation executive who is one of Morino’s close collaborators, says: “The pursuit of high performance is expen-

### LEADING

“Funders should expect high performance, but they must help their grantees.”



# 7 Steps to Top Performance

Mario Morino, a successful entrepreneur and a pioneer of the venture-philanthropy movement, is now working to improve nonprofit management and “create more meaningful, measurable good.”

He has persuaded dozens of leaders of nonprofits and foundations to form the Leap of Reason Ambassadors Community, an invitation-only group of about 160 people. The group, which includes notable leaders including Jeff Bradach of Bridgespan, James Canales of the Barr Foundation, Dan Cardinali of Independent Sector, and Kathy Reich of the Ford Foundation, has built an extensive set of tools designed to help nonprofits build and sustain high-performance organizations.

The following are the seven key factors that ensure a nonprofit is effective, according to the Leap Ambassadors Community:

## Courageous, Adaptive Executive and Board Leadership

Executives and boards embrace their responsibility to deliver meaningful, measurable, and financially sustainable results for the people or causes the organization exists to serve. Boards are strong, assertive governors and stewards, not just supporters and fundraisers. They recruit, advise, and hold accountable the lead executive (CEO).

## Disciplined, People-Focused Management

Managers translate leaders’ drive for excellence into clear work plans and incentives to carry out the work effectively and efficiently. Managers’ decisions are data informed whenever possible. Managers, like executives and boards, have the ability to recruit, develop, engage, and retain the talent necessary to deliver on the mission.

## Well-Designed and Well-Implemented Programs and Strategies

Leaders and managers are clear on the target population or audience they serve and are passionate about serving them. They base the design of their programs and strategies on a sound analysis of the issues, insights from intended beneficiaries, and evidence-informed assumptions about how the organization’s activities can lead to the desired change (often referred to as a “theory of change”).

## Financial Health and Sustainability

The board and senior management take charge of their organization’s financial destiny. They articulate the value they deliver and develop overall financing strategies, tightly aligned with their mission, to support and sustain it.

## A Culture That Values Learning

The board, management, and staff continually seek to do even better for the people or causes they serve. All people in the organization have high expectations of themselves and of their peers. Senior management leads by example and encourages people throughout the organization to be curious, ask questions, and push each other’s thinking by being appropriately and respectfully challenging.

## Internal Monitoring for Continuous Improvement

The board, management, and staff work together to establish clear metrics, tightly aligned with the results they want to achieve, for each program and for the organization as a whole. Management and staff produce frequent reports on how well the organization is implementing its programs and strategies.

## External Evaluation for Mission Effectiveness

Leaders complement internal monitoring with external evaluations conducted by highly skilled, independent experts. Leaders commission external assessments to learn more about how well their programs are being run, what these programs are or are not accomplishing, who is or is not benefiting, and how the programs can be strengthened.

sive. It is difficult. It is painstaking.” But, he says, the work of the Leap community is slowly spreading from trusted peer to trusted peer, as envisioned. “This message has legs,” he says. “It has resonated pretty widely.”

## Up From Poverty

For Morino, this is the third and final act of a stellar career. He grew up poor but says he never felt deprived because of the support of family, teachers, coaches, and his church. His mother, he says, cleaned offices and homes to keep the family afloat and “made sure my brother, sister, and I — and oftentimes our friends and cousins — were well fed, clothed, and loved.” From those early experiences grew a lifelong desire to help underprivileged kids.

Morino earned a degree at Case Western Reserve and learned about technology during a stint in the U.S. Navy. His first start-up failed, but his second grew into Legent Corporation, which was sold for \$1.7

“He sees abilities in people they don’t even know they have.”

billion in 1995 — at the time, the biggest deal ever in the software industry.

By then, Morino was onto act two. He had retired from Legent in 1992 and spent a couple of years talking with hundreds of philanthropists and leaders of charities. In 2000, he joined with technology executives Raul Fernandez and Mark Warner (now a U.S. senator from Virginia) to start Venture Philanthropy Partners, which invests in organizations that help vulnerable children and youths in the Washington, D.C., region.

Unlike most donors, VPP makes long-term commitments of money and engages deeply with its grantees: It takes a seat on their boards, helps them recruit staff, and advises them on strategy and finances. In exchange, charities are expected to demonstrate their impact. The idea was controversial — some donors didn’t want to take a hands-on approach, and some nonprofits resisted it — but others, including some traditional foundations, embraced the model. In the last 17 years, VPP has raised and deployed nearly \$110 million to 18 Washington-area nonprofits; Morino was its chief executive for seven years and still sits on its board.

Morino’s belief that donors and nonprofits should become true partners, while recognizing the power imbalance between the two, shaped Leap of Reason. It’s core to the Leap community, too. Morino says grant makers and charities need to be more honest with one another, and they need to expect more from each other. “Funders should expect high performance for greater results, but they must help their grantee leaders build and strengthen their organizations to meet those expectations,” he says.

## Finding ‘Their Tribe’

To be sure, none of this is entirely new. Consultants like Bridgespan and McKinsey, networks like Grant-makers for Effective Organizations and the Center for



SCOTT HENDERSON

## MORINO-STYLE MANAGEMENT

**A Wings for Kids leader works with students at a school in Fulton County, Ga. The Wings program has adopted rigorous employee evaluations, coaching, and recognition.**

Effective Philanthropy, and nonprofits like MDRC and GiveWell have preached about impact. Even the federal government, beginning in the Obama years and continuing under President Trump, has steered hundreds of millions of dollars to organizations that run programs that can show evidence of their effectiveness; this effort supported such nonprofits as Youth Villages and the Nurse-Family Partnership. Youth Villages uses counselors to help troubled youths in their homes instead of moving them to foster care or detention centers, while Nurse-Family Partnership sends specially trained nurses to visit first-time moms; both have been extensively vetted.

This, though, is the first time that a community of nonprofit leaders has come together who are pushing the idea of high performance to their peers, colleagues, and grantees and developing best practices. The ambassadors, all of whom have full-time jobs elsewhere, say they give their time and energy to Leap because they believe it is working.

When the ambassadors met face-to-face for the first time several years ago, “everyone left feeling they had found their tribe,” says Debra Natenshon, a consultant who formerly ran a nonprofit called the Center for What Works, which looks for ways to measure results.

“The whole culture is beginning to change. Very slowly. Very grudgingly,” says Michael Bailin, former president of the Edna McConnell Clark Foundation and a consultant to Leap.

Morino would like the community to be able to thrive on its own, but for now he remains the reluctant hub. He provides about \$1.5 million a year, which supports a staff of about 10 full-time and part-time people. Most are based in Cleveland, where he lives; depending on the time of year, he’s likely to show up for work in Cavaliers, Indians, or even Browns gear.

He also draws upon a loyal network of friends

and supporters in business, the nonprofit world, and academe.

“He sees abilities in people they don’t even know they have,” says Cheryl Collins, who has worked closely with him since 1992. Bill Meehan, a Stanford professor and co-author of *Engine of Impact*, a book about nonprofit effectiveness, is not part of the Leap community but says: “I adore Mario Morino. He’s a doer. He cares, and he cares about the right things.”

## Micro-Bonuses and Feedback

It’s a safe bet that hundreds of organizations have been influenced by Leap of Reason. (Morino gave the book away; it has been downloaded more than 100,000 times.) Scores of nonprofits now regularly use some or all of the Performance Imperative. Some have published their stories.

One example: Wings for Kids, which runs after-school programs in Georgia and the Carolinas to help low-income kids develop social and emotional skills.

Wings has worked especially hard to follow a Performance Imperative pillar that calls for “disciplined, people-focused management” by adopting rigorous employee evaluations, coaching, and recognition. Top performers are rewarded through a program called Bonusly, which enables workers to give and get so-called micro-bonuses, such as gift cards, for going the extra mile.

By contrast, laggards get concrete feedback about their flaws, and they are expected to improve or else, according to Bridget Durkan Laird, the group’s chief executive.

“We try really hard not to keep people around who aren’t going to do good for the kids,” she says.

To better understand its impact, the organization has also commissioned an external evaluation led by scholars at the University of Virginia. The randomized, controlled trial will compare the

progress of children who participate in the Wings program with those who do not; it is partly funded by the Edna McConnell Clark Foundation.

## Grants for Performance

Leap is also shining a spotlight on grant makers that invest in charities’ performance. Leap ambassador Brad Dudding, chief operating officer of Center for Employment Opportunities, which helps people with criminal convictions find jobs, says: “Right now there’s a big push in Leap to hammer away at funders and get them on the bus.”

Guided by Leap ambassador and consultant David Hunter, Impetus-PEF, a foundation in Britain, helps all of its grantees develop performance-management systems and is putting one in place for itself.

At the Einhorn Family Charitable Trust, the philanthropic arm of hedge-fund manager David Einhorn and his wife, Cheryl, executive director Jennifer Hoos Rothberg uses the Performance Imperative to track the progress of grantees.

“Lots say it’s helpful. Some say it’s onerous,” says Hoos Rothberg. “But once they set a baseline for where they are, it’s a very nice tool for them to hold themselves accountable.” She’s also talking with other donors.

St. Louis has become another hub of Leap-driven activity, led by Julie Russell, senior vice president for planning and evaluation at the United Way of Greater St. Louis.

A former social worker with Catholic Family Services, Russell says it’s important that the drive for performance is being led by nonprofits and not being imposed from the outside. She has led 10 workshops for about 200 nonprofits in the Performance Imperative, as well as for nonprofit boards. “Agencies love it,” she says. “They’re really hungry for this information.”

The Performance Imperative isn’t for everyone, its advocates concede. While Natenshon and consultant Karen Walker developed a version for charities with budgets of as little as \$100,000, some small nonprofits may decide that the effort to measure outcomes is beyond their capability. The Performance Imperative was designed for charities that provide direct services — Morino’s focus for decades — and so it does not fit advocacy groups or arts organizations quite as well. But its focus on mission, strong leadership, and engaged boards should work for all.

## True Test Is to Come

Looking ahead, Morino has set specific targets for the Leap community. By the end of 2020, he’d like to see it grow to include 300 actively engaged members. He’d like the Performance Imperative to be fully adopted by at least three foundations, 12 consultants, 25 nonprofits, a metropolitan region or two, and a couple of colleges and universities. He has promised to personally fund the work for the next several years.

Beyond that, all bets are off. The true test of the endeavor will come when it is no longer held together by Morino’s passion, network, and money. The community will have to find another wealthy individual or foundation to step in, no easy feat because, as Morino notes, donors don’t readily fund efforts created and developed by others. Besides, he sighs, “at the end of the day, there’s nothing sexy about management.” But there’s also nothing more important. ■