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Foundations and Collective Impact

As foundations mature and gain experience, they often come to realize that their core activity – making grants to nonprofit organizations – only rarely leads to the "real change" that the board and staff had in mind. Thus it is not at all surprising that many foundations have become intrigued with the concept of "collective impact" that John Kania and Mark Kramer introduced in 2011.

Collective impact begins with the premise that "large-scale social change comes from better cross-sector coordination rather than from the isolated intervention of individual organizations" (Kania & Kramer, 2011, p. 38). The model identifies five specific conditions that allow collaborating actors to achieve large-scale impact: a common agenda, mutually reinforcing activities, continuous communication, a shared approach to measuring progress, and a "backbone support" organization that coordinates the work. The first three of these elements are included in nearly all models of collaborative problem-solving, dating back to the early 1990s (e.g., Mattessich & Monsey, 1992; Butterfoss, Goodman, & Wandersman, 1993; Lasker, 1997; Lasker & Weiss, 2003). Collective impact advances these earlier models by paying explicit attention to shared measurement and a backbone organization.

Key Points

- Foundations have a long tradition of convening and funding collaborative groups with the hope that this will lead to large-scale impact.

- Although funder-driven collaboration sometimes leads to breakthrough solutions, foundations have also pushed the participating organizations into artificial, awkward, and unsustainable efforts.

- This article argues that funders should support naturally emerging networks and should tailor their support to match the network's stage of development.

- A five-stage developmental model is introduced and illustrated through a case study of the Central Appalachian Network (CAN).

- Over CAN's 20-year history, a succession of regional and national foundations have played crucial roles in building the network and facilitating the development of a collective-impact strategy.

One of the most important unresolved questions for collective-impact initiatives (and for collaborative problem-solving more generally) is, "How can foundations be most constructive in supporting collaborative work that leads to collective action and generates large-scale impact?" The most common approach is for funders to convene the collaborative group, either directly or by encouraging a local actor to play the convening role. In a typical initiative, the funder or its agent calls together nonprofit and government agen-

In many if not most collaborative initiatives, the participating organizations spend the bulk of their time sorting out their interests and determining a common agenda, with little energy left to actually carry out meaningful collective action. The participants not only need to find common ground, but also must work together cooperatively on strategies that go beyond their own missions.

cies under the banner of a lofty goal, and then offers the prospect of grant dollars to motivate the group to develop a bold new solution to a big entrenched problem (Annie E. Casey Foundation, 1995; Hallfors, Cho, Livert, & Kadushin, 2002; Gallagher & Drisko, 2003; Trent & Chavis, 2009; Meehan, Hebbeler, Cherner, & Peterson, 2009; Kubisch, Auspos, Brown, & Dewar, 2010).

At least in theory, there are sound reasons for foundations to play a lead role in organizing comprehensive community initiatives and collective-impact efforts. Collaborative problem-solving is a time-consuming, often frustrating process with an uncertain payoff. Kania and Kramer (2011) point out that cross-sector collective action does not naturally arise without leadership by an actor who brings a larger frame of reference. In their view, foundations are uniquely positioned to play this sort of role because a foundation is typically familiar with, and has influence over, many of the organizations that are working on the target issue.

Kania, Kramer, and their colleagues at FSG have described a number of cases where funder-led coalitions have generated communitywide impacts, including the Strive Partnership in Cincin-

nati and the coalition to end homelessness in Calgary, Alberta, Canada (Kania & Kramer, 2011; Hanleybrown, Kania, & Kramer, 2012). Although funder-driven collaboration sometimes leads to breakthrough solutions, foundations have also pushed nonprofit organizations and other actors into artificial, awkward, and unsustainable efforts.

In a recent study of networks involved in rural economic development, Paul Castelloe, Thomas Watson, and Katy Allen (2011) found that one of the major obstacles to success was "funders trying to direct or run the network" (p. 68). One of the nonprofit leaders interviewed in the study lamented the many problems that arise when a funder brings organizations together with a pre-set agenda.

> When they come in and force them and it's not an organic situation, I don't think I've ever seen any that have been successful. … That just is so bogus to me. … They've got the housing people, the medical people. They've got everybody from every category and they just don't know where to go. It takes them years to figure out what do they even want to talk about. And then when they start, they infringe on things that other people are trying to do. … If all of a sudden the pot dries up or really shrinks down, they aren't there. They're no longer talking to each other.

In their extensive review of community-change initiatives, *Voices From the Field III*, Anne Kubisch and her colleagues point to an inherent flaw in funder-driven collaborative initiatives: They "require new implementation processes and structures that can distort local energy, provoke resistance, and disrupt existing relationships among local players and programs" (Kubisch et al., 2011, p. 140).

In many if not most collaborative initiatives, the participating organizations spend the bulk of their time sorting out their interests and determining a common agenda, with little energy left to actually carry out meaningful collective action. The participants not only need to find common ground, but also must work together cooperatively on strategies that go beyond their own missions. Even if the larger group achieves

its goals, the member organizations may find themselves in a weakened position because of the time and resources invested (White & Wehlage, 1995; Kreuter & Lezin, 1998; Hallfors et al., 2002; Kubisch et al., 2010). Some of these initiatives have left a wake of dashed hopes, strained relationships, weakened agencies, and even damaged communities (Brown & Fiester, 2007; Trent & Chavis, 2009; Kubisch et al., 2010).

Experiences such as these have prompted calls for more of a hands-off approach on the part of funders. For example, Kristi Kimball and Malka Kopell (2011) argue that, "Too often, funders insist on controlling the ways in which social problems are solved. … Letting go is what foundations must do to achieve higher impact" (p. 37).

While foundations can be legitimately criticized for being heavy-handed in convening collaborative bodies and setting their agenda, this does not imply that foundations should play a passive role when it comes to supporting collective impact. Foundations can make vital contributions to this work – in ways that go well beyond financial support. However, to be a constructive force, the funder needs to move beyond convening coalitions around a specific goal. The most effective and productive coalitions are those that emerge naturally when an existing network decides to move to the next stage of working together.

This article describes how a funder can be a constructive force in moving a group of organizations toward high-impact collective action. We begin with a developmental theory that specifies five distinct stages that organizations naturally pass through on their way to collective impact, beginning with the stage where those organizations are disconnected from one another. Funders can advance large-scale impact by assisting organizations in forming intrinsically valuable networks, by providing financial and other support to those networks, and, when appropriate, by offering resources and counsel that allow the organizations to recognize and act on their shared interests. At all stages in the life cycle of a network or coalition, foundation staff need to be willing and able to enter into productive, give-and-take relationships with the actors involved.

The theory and the role of the funder are illustrated through a case study of the Central Appalachian Network (CAN), which consists of six nonprofit organizations that promote sustainable economic development in various rural subregions of Appalachia. CAN is one of a handful of networks that have transitioned from informal networking to collective impact. A variety of regional and national foundations, including W.K. Kellogg, Claude Worthington Benedum, F.B. Heron, Mary Reynolds Babcock, and Ford, as well as the Appalachian Regional Commission, have played a crucial role in supporting CAN over the course of its history.

Moving to Collective Action au Naturel

The many critical reviews of comprehensive community initiatives tell us that organizations should not be induced into collective action unless and until they are assured that this is work that they want to pursue. It is challenging and even unnatural for organizations with distinct missions to come together and develop a shared agenda, especially one that involves systems change. Just as foundations perform due diligence before deciding whether to invest in a grantee, organizations considering the possibility of collective action need to first assess whether this new work is likely to pay off – both for their own organization and in an overall sense. The potential partners need to know each other well enough to understand what they are getting into. They need to be able to count on one another to carry through on their commitments. It may take years of working together before a set of organizations is truly prepared for collective action.

When we recognize that collective action requires alignment and trust among the participating organizations, it becomes clear why funder-driven collaboration often fails to generate meaningful impact. In convening a comprehensive community initiative or collective-impact effort, a funder is short-circuiting a number of important steps that must be traveled before actors with different interests can arrive at a strategy that is truly shared.

If we allow collaboration to develop naturally, then how should foundations achieve collective

impact? The hypothesis proposed here is that funders should form long-term relationships with naturally forming networks and then help those networks assess whether they are interested in moving beyond simple networking to collective action. This hypothesis is based on an underlying theory of how networks develop and move to collective action. The theory proposes five stages of development:

1. Organizations with common interests are disconnected from one another.

2. Organizations with common interests are informally networked.

3. Networked organizations begin to envision collective action.

4. Networked organizations develop a strategic framework for collective action.

5. Networked organizations carry out coordinated strategies that produce collective impact.

Within this framework, collective action is essentially an advanced form of networking. Some networks never progress beyond the informal networking that defines Stage 2. Even without advancing to collective action, such a network can be highly valuable – not only to the members, but also for advancing larger social goals. Deanne Scearce and her colleagues at the Monitor Institute emphasize that much of the social change we see throughout the world stems from people working together in "networked ways" (with an emphasis on sharing information and coordinating activities), rather than by moving to the more drastic step of developing and implementing a shared strategy (Scearce, Kasper, & Grant, 2010; Scearce, 2011).

This article is concerned primarily with the subset of networks where the members seek to at least consider the possibility of developing a shared mission that leads to collective action. Those networks generally undergo a period of reflection, due diligence, planning, and soul-searching on the way to Stage 5, at which point they actually carry out a shared strategy.

Funders, because of their knowledge of the nonprofit landscape in a community or region, are generally in a good position to cultivate networks and promote their development. The appropriate role for the funder varies considerably across these five stages. Table 1 provides a sampling of some of the most important ways that a funder can add value at each stage.

During Stage 1 (when organizations that might benefit from networking are not yet aware of one another), a funder can best add value by brokering relationships – but gingerly. Networks should form around the needs and interests of the organizations that will be devoting the time and effort required to communicate, coordinate activities, and possibly work together on joint projects. Funders are in a position to see overlapping goals and interests that might not be apparent to actors with a more on-the-ground perspective. At a minimum, a funder can make its grantees aware of one another's work. Depending on its knowledge of the region, the funder may also be able to broker connections with organizations beyond grantees. Assuming that these groups express an interest in learning more, the foundation can make introductions and possibly convene gatherings. This sort of brokering and connecting is an essential function for the Babcock Foundation's program staff, who refer to themselves as "network officers" (Easterling, 2012).

Once organizations begin to work together in a networked way (Stage 2), a funder can be helpful by defraying the costs of meetings and communicating. One of the most valuable forms of support is to cover the costs of a network coordinator who can facilitate communication, plan meetings and other networking events, and carry out the follow-up steps that come out of those meetings (Scearce, 2011).

Another important way that funders can strengthen networks is to assist nonprofit organizations in learning how to partner (Wei-Skillern & Silver, 2013). For nearly two decades, the Babcock Foundation has focused specifically on building the capacity of its grantees to enter into mutually beneficial partnerships and to work together constructively with nonprofit, government,

TABLE 1 Recommendations for Funders at Each Stage of the Journey to Collective Impact

Stage of the Work	Value-Added Support From Funders
1. Organizations with common interests are disconnected from one another.	a) Make grantees aware of other organizations doing complementary work. b) Gingerly broker new relationships (without expectations).
2. Organizations with common interests are informally networked.	a) Sponsor networking opportunities where leaders from the different organizations can come together to discuss their work, identify shared interests, and learn collectively. b) Support administrative infrastructure that facilitates networking, learning, and coordination of programming.
3. Networked organizations begin to envision collective action.	a) Provide more extensive financial and technical support for networking, peer learning, and development of joint projects. b) Raise the possibility of collective action to advance cross-cutting goals, but in an open-ended way.
4. Networked organizations develop a strategic framework for collective action.	a) Provide funding and/or consultants to support the process of developing a shared agenda and a collective strategy. b) Provide the group with models or frameworks that can be helpful in developing a smart strategy capable of producing large-scale impact.
5. Networked organizations carry out coordinated strategies that produce collective impact.	a) Provide funding to individual organizations to carry out respective strategies. b) Provide funding for a backbone support organization to coordinate and facilitate the work. c) Educate other funders on the work of the network and opportunities to expand and deepen the impact. d) Engage with the network to learn what works for systems change.

and business partners. The motivation behind this strategy is spelled out in a report by Ann Philbin and Sandra Mikush that the foundation published in 2000:

> Collaboration takes time. People and organizations have a hard time working across differences in race, class, issues, strategies, and ideology. ... If organizations are effective at building understanding and collaboration, the prospects brighten for a broad-based and sustainable movement for change. (p. 32)

Because of the very real and substantial costs associated with formal collaboration, many networks never move beyond the informal networking that defines Stage 2. The vast majority of networks are best suited to supporting peer learning, coordination, and social support.

Moving to Stage 3 means that the members of the network have recognized that they have shared interests and that collective action might help them achieve their larger goals. Funders can help existing networks test their appetite for collective action. For example, the Babcock Foundation's network officers have assisted a number of networks in working through this difficult decision. The network officer interacts with network members to help them identify overarching policy and systems issues that the group might tackle together, while at the same time encouraging the members to be realistic about what they can accomplish through collective action (Easterling, 2012). This sort of support on the part of the network officer requires solid, trusting relationships with the members of the network. It may take years of give and take with funded groups to establish the trust that is required before the funder can begin asking hard questions.

Collective action is premised on the idea that multiple organizations working together in a coordinated fashion can achieve large, cross-cutting impacts – beyond what would otherwise occur if the organizations continued to work independently. Solving an entrenched social, economic, or health problem will invariably require a fundamental change to the system surrounding

that problem (Foster-Fishman, Nowell, & Yang, 2007). Systems change, in turn, requires that the participating organizations move beyond coordination of activities and carry out a collective strategy that disrupts the status quo (Easterling, Arnold, Jones, & Smart, 2013). Stage 4 is when the network carries out its strategic analysis and develops that game-changing strategy. During this stage, the funder can support the network by:

- paying for consultants to facilitate strategic planning,
- coaching and brokering on the part of foundation staff, and
- suggesting potential frameworks for strategy and measurement.

When the network is in Stage 4, the funder should expect – and even invite – members of the network to challenge some of the ideas that the funder is proposing. A Stage 4 network is by definition mature and self-aware. With this maturity and clarity, the members will be more discerning with regard to what agendas they do and do not want to take on. At this stage, the funder and the network should be having honest, in-depth conversations about strategy, challenging one another in the process.

Once the agenda for collective action has been defined (Stage 5), the funder will inevitably have a crucial role to play in supporting the organizations in implementing the collective strategy. One of the most important forms of support at this stage is funding for the backbone organization that coordinates the activities of the various players, convenes meetings, carries out the follow-up work, and takes responsibility for compiling evaluation measures into a coherent system-level framework. In addition to supporting the network directly, the funder can perform an invaluable service in recruiting other funders whose interests are in line with the work of the network.

Only a small fraction of the networks that take shape during Stages 1 and 2 move all the way to Stage 5. Those that are eventually able to achieve collective impact do so only after years of

relationship-building, exploration, growth, and trial and error. Funders interested in promoting effective collective action need to be prepared for the long haul. The funders who play an active role in bringing a network together may no longer be involved by the time the group transitions to the collective action. As illustrated in the case study of the Central Appalachian Network, this approach to social change is iterative, dynamic, and unpredictable. But for funders who operate under the long view and who are willing to give and take with their grantees, networks can be indispensable to achieving large-scale, meaningful change.

Methodology

The case study reported below draws on published materials and in-depth interviews with each of the six members of CAN's steering committee.[1] These interviews were conducted by Paul Castelloe for a study of six rural networks engaged in "wealth creation" work across the United States (Castelloe et al., 2011). The interviews were tape-recorded and transcribed, and the transcripts were analyzed qualitatively to identify key events in the network's history and the role of various funders over that history.

A draft version of the network's history was sent for review to the steering committee members, two individuals who provide staffing support to the network (Katy Allen and Thomas Watson at Rural Support Partners), and a funder (Sandra Mikush at the Babcock Foundation). All reviewers indicated that the case study was accurate from their perspective. One reviewer provided additional details that brought greater clarity to some of the description.

[1] The members of CAN's steering committee, known as CANSTEER, are Kathylyn Terry of Appalachian Sustainable Development, Pam Curry of the Center for Economic Options, Justin Maxson of the Mountain Association for Community Economic Development, Marten Jenkins of the Natural Capital Investment Fund, Michelle Decker of Rural Action Inc., and Larry Fisher of the Appalachian Center for Economic Networks. Their contributions to this research and to the work described here are greatly appreciated. Curry, in particular, provided a detailed review of an earlier draft of the case study and added new information. All interviewees granted permission for their names to be used in publications.

For funders who operate under the long view and who are willing to give and take with their grantees, networks can be indispensable to achieving large-scale, meaningful change.

The Central Appalachian Network

Organized in 1993, the Central Appalachian Network has established itself as a catalyst for sustainable economic development throughout Central Appalachia, a largely rural region of the United States that includes portions of West Virginia, Virginia, Tennessee, Kentucky, and Ohio. The region is rich in natural and cultural resources, but has some of the highest poverty rates in the country. For generations, the predominant economic base was coal mining, but employment in this sector declined dramatically as the richest coal seams were extracted and mountaintop removal displaced more labor-intensive underground mining. At the same time, another of the region's major economic sectors – tobacco growing – became less viable because of reduced demand for cigarettes and the termination of federal price supports.

The economy of Central Appalachia has begun to transition over the past two decades, with food production and tourism now the key drivers. Farming has diversified to include a variety of crops and meat products supplied to local and regional markets. Tourism occurs in the form of hikers, rafters, campers, hunters, and other visitors drawn by the region's natural beauty and cultural heritage.

CAN and its member organizations have played key roles in the region's economic transition. The network consists of six organizations that promote economic development in different sub-regions of Central Appalachia. (See Table 2.)

TABLE 2 Organizations in the Central Appalachian Network

Organizations in the Central Appalachian Network
Member organizations
• Appalachian Center for Economic Networks*, Athens, Ohio
• Appalachian Sustainable Development, Abington, Va.
• Center for Economic Options*, Charleston, W.Va.
• Mountain Association for Community Economic Development*, Berea, Ky.
• Natural Capital Investment Fund, a program of the Conservation Fund, Shepherdstown, W.Va.
• Rural Action Inc., Trimble, Ohio
Network coordinator (backbone support organization)
• Rural Support Partners, Asheville, N.C.
_____
* Original member of CAN

Two additional organizations, Ohio University's Institute for Local Government Administration and Rural Development (ILGARD) and the Jubilee Project in Sneedville, Tenn., were involved in CAN for many years before exiting the network in 2009.

CAN's member organizations generally started out as small, grassroots efforts, each with its own geographic focus and approach to economic development. Depending on the local context, the most promising opportunities might be in farming, food production and distribution, wood products, arts and crafts, or heritage tourism. As a general rule, the organizations support economic development by providing new and existing businesses with loans, training, and coaching. This individually oriented support is complemented by system-level work, including the development of networks that allow entrepreneurs in a sub-region to reach new markets and to find new channels for distributing their goods and services.

CAN's member organizations operate both independently within their own sub-region and collectively across the Central Appalachian region. Both levels of work are captured in CAN's mission statement, which states that CAN "advances the economic transition of the region by fostering the development of enterprises, organizations, and policies that promote and protect the health of our local economies, communities, and environment."

Collective Impact
For the past three years, CAN and its member organizations have been focusing on building "value chains" as a means of connecting food growers and producers to dependable upstream buyers, including grocery stores, restaurants, schools, and hospitals. Value chains are a crucial component in the "wealth creation for rural communities" model (Yellow Wood Associates, 2011), which the Ford Foundation introduced to CAN. Adopting this new orientation has allowed the member organizations to better serve farmers and other small businesses within their respective sub-regions. Between 2009 and 2011, the food processors served by CAN organizations gained access to a 37 percent larger market (the number of wholesale buyers increased from 51 to 70), and these buyers purchased nearly twice as much product on average (from $33,175 to $66,676) (Central Appalachian Network, 2012).

Focusing on value chains has led to changes in strategy not only for CAN's member organizations, but also for the network as a distinct entity. CAN now holds conferences and provides individualized training, technical assistance, and small grants to partner organizations, farmers,

and food businesses throughout the region. One specific example is a June 2012 gathering of meat producers, processors, and buyers from five states who met to learn how to expand and improve distribution networks for locally raised meat products. CAN is now recognized as a leader throughout the region in promoting novel strategies for creating wealth and for retaining wealth in local communities.

CAN did not explicitly set out to do "collective impact," but the network is essentially acting according to the five conditions specified in Kania and Kramer's (2011) model.[2] First, the six member organizations have a long history of regular communication. Second, using the wealth-creation model, CAN established a shared agenda for promoting sustainable development that promotes the economic, social, and environmental well being of the region. Third, the six member organizations are carrying out coordinated action to advance CAN's collective strategy. Fourth, all the players in CAN – member organizations and Rural Support Partners – are actively engaged in measuring progress around a shared framework for measurement (i.e., the Wealth Matrix portion of the wealth-creation model). And fifth, a separate organization, Rural Support Partners, conducts all the core functions specified for a backbone support organization.[3]

Although CAN's collective-impact work is informed by a model introduced by the Ford Foundation, this process has played out very differently from what occurs with funder-driven collaboration. CAN was a mature 16-year-old network when the members decided to adopt the

wealth-creation model. Moreover, these organizations engaged in a great deal of animated back-and-forth negotiation with Ford prior to adopting the model. Perhaps more importantly, Ford was only one of many funders who have played crucial roles in CAN's development as a network and movement toward collective action. The longer story has many other interesting lessons for funders, and nicely illustrates the five stages that lead up to collective impact.

Stage 1: Disconnected Organizations With Common Interests

CAN began to take shape as a network when the executive directors from the Appalachian Center for Economic Networks (ACEnet), the Center for Economic Options (CEO), and the Mountain Association for Community Economic Development (MACED) met in 1993 at a gathering convened by Maureen Conway at the Aspen Institute. Conway had worked as a consultant with the three organizations for years and recognized that they were doing parallel but disconnected work across the region. With financial support and encouragement from Caroline Carpenter, a program officer at the Benedum Foundation, Conway convened a gathering of practitioners, policymakers, researchers, and educators in Athens, Ohio. She brought no preconceived ideas of what would happen at the meeting beyond sharing information and building relationships.

The executive directors of three organizations – June Holley at ACEnet, Pam Curry at CEO, and Frank Taylor at MACED – had an overwhelmingly positive experience at this gathering. According to Curry,

> We were just hungry to get together to talk about personnel management issues and fundraising, all the things that go along with trying to operate and sustain nonprofits in our region. It was definitely helpful to all three of us.

Stage 2: Informal Networking
The convening in Athens laid the groundwork for the formation of an informal network. With continued facilitation from Conway, the executive

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[2] CAN's approach to collective impact is somewhat atypical in that the six member organizations are coordinating their work throughout a region, rather than working together in the same community. CAN's model is comparable to the collective-impact approach of the Global Alliance for Improved Nutrition described by Hanleybrown et al. (2012).
[3] Rural Support Partners views itself as the "network coordinator," but its functions are entirely consistent with Kania and Kramer's definition of a backbone support organization: one that will "plan, manage, and support the initiative through ongoing facilitation, technology and communications support, data collection and reporting, and handling the myriad logistical and administrative details needed for the initiative to function smoothly" (p. 40).

> *One of the realities of networks is that the energy ebbs and flows. When the Kellogg funding ended in 2005, the network went into a dormant phase as CAN members shifted their attention back to the needs of their own organizations.*

directors from ACEnet, CEO, and MACED met every three to four months to learn about one another's work and to delve into issues of common interest.

In 1994, CAN was established as a formal entity. Shortly afterward, three additional organizations were recruited into the network: ILGARD, Rural Action Inc., and Natural Capital Investment Fund (NCIF). ILGARD stepped into the role of network coordinator. Pat DeWees and her colleagues coordinated meetings, staffed the various committees, managed expenditures and budgets, and played a lead role in writing grants and interacting with funders.

Once CAN became a formal entity, the Kellogg, Benedum, and Heron foundations stepped up to support the networking and learning processes. These foundations provided substantial and consistent funding for ILGARD to serve as the coordinator for the network, while also making grants to the individual member organizations. Larry Fisher from ACEnet viewed this support as crucial in promoting CAN's longer-term development:

> At first when we were looked at as a learning network, funders provided the resources for us to learn how to function as a network, to develop storytelling, helping us with policies and things.

For the first decade of CAN's existence, the members focused on collective learning, much of

which occurred through time-limited think tank exercises known as "CAN tanks." According to Curry,

> We would focus on a theme, whether it was youth entrepreneurship or social purpose enterprise, and we would have a convening that served all the CAN members in whatever the interest was that we agreed on.

Curry, who is the only CAN member who remains from the original network, views these early CAN tanks as "laying the groundwork for much of the positive economic and community development that is happening today."

In addition to facilitating peer learning among member organizations, CAN organized meetings with expert speakers and commissioned studies focused on the interests of member organizations. In 1994, a number of CAN members embarked on an intensive, eight-day study tour to Italy and Denmark to learn more about their renowned "flexible manufacturing networks." Caroline Carpenter from Benedum helped organize the tour and accompanied the group.

When she moved from Benedum to Kellogg in 2001, Carpenter developed a program called Networks for Rural Policy Development and invited CAN to apply for funding. In 2002, a three-year grant was awarded, which CAN used to develop policy initiatives and communications strategies. This turned out to be a highly complex and demanding project.

One of the realities of networks is that the energy ebbs and flows. When the Kellogg funding ended in 2005, the network went into a dormant phase as CAN members shifted their attention back to the needs of their own organizations. Some wondered whether CAN still served a valuable enough purpose to warrant the high costs (especially in terms of time) that the network demanded. In reflecting on this phase, Curry reported that, "for a while CAN looked like it was going to just kind of dissipate. There was almost a year that we didn't do much at all."

Although unsettling at the time, this yearlong period of dormancy and existential pondering turned out to be crucial to CAN's longer-term development as a network. And as with the phases of the moon, waning turned out to be a temporary phase in a natural cycle.

In 2006, Robin Stewart from ILGARD took the lead in reconstituting CAN. ILGARD had received funding through a collaborative public-policy grant from Kellogg that allowed Stewart to sponsor a convening with potential policy implications. According to Curry,

> The Kellogg grant to ILGARD was our chance to get back together. We had a meeting down in Abingdon, Va., and started laying the groundwork for CAN's future. We envisioned CAN in much the way you see it now – with a strong focus on sustainable development and a more intentional support system for the members of CAN.

As CAN's members began focusing more on sustainable development, they attracted the attention of the Ford Foundation. In 2006, Ford began making grants to the individual organizations, with Jeff Campbell serving as the program officer for the region.

Stage 3: Beginning to Envision Collective Action

With a common emphasis on sustainable development and a renewed dedication to networking, the members of CAN began looking for opportunities to work together on something that would lead to real and immediate impact. They challenged each other to think bigger and to pursue new and larger grants – both for their own organizations and for the network. Sandra Mikush from the Babcock Foundation and Jeff Campbell from the Ford Foundation played a critical role here. As part of their grantmaking process, Mikush and Campbell entered into CAN's strategic conversations and prodded CAN members to look critically at what it would take to achieve large-scale impact across the region.

As CAN began considering a coordinated regional strategy, two of the organizations – ILGARD and Jubilee Project – decided to exit the net-

work. Both organizations determined that their goals were better advanced by maintaining their own independent strategies, rather than joining a shared approach to economic development. These departures reflect the fundamental shift that occurred in the network as CAN moved from Stage 2 to Stage 3. Organizations that gain value from an informal network may reach a different conclusion when the network begins considering collective action.

Stage 4: Developing a Strategic Framework for Collective Action

After deciding to pursue a coordinated strategy for large-scale change, the remaining members of CAN began working on the challenging task of deciding how they could achieve their desired impact. On one hand, the members had an extremely sophisticated understanding of the fundamental issues confronting the different subregions of Central Appalachia. On the other hand, they were at somewhat of a loss at how they could make "big change" happen in the region. It was at this stage that CAN's funders played an especially crucial role in moving the network in a particular direction.

The key player at this point was Wayne Fawbush from Ford; he took on the job of managing the foundation's CAN-related grantmaking when Campbell left the foundation in 2008. Fawbush proposed the "wealth creation in rural communities" model, believing it to be directly relevant to Central Appalachia where economic decisions have historically been made by powerful forces outside the region. The model, developed by Yellow Wood Associates (2011) and promoted widely by the Ford Foundation, posits that poverty stems not only from a lack of productive economic activity within the community, but also from the community's inability to retain the wealth that the local economy generates.

Retaining wealth locally requires that local actors take more control over the production and distribution of locally produced goods and services. Rather than focusing solely on job creation, the wealth-creation model presumes that social and environmental considerations are also crucial.

The model specifies four distinct components to guide sustainable economic development in rural communities:

1. A place-based focus (rather than problem focus).

2. Multiple collaborating institutions.

3. The creation of "value chains" (where independent producers, processors, distributors, buyers, and others in a chain work together to create value and share risks and rewards).

4. Measuring and monitoring different forms of wealth or capital (intellectual, social, individual, natural, built, political, and financial).

CAN members were intrigued with the premise and the overarching principles of the model, but many had difficulty understanding all the analytic details. Over time they came to appreciate more fully how the model could enhance their thinking about sustainable economic development, especially with regard to food production. Larry Fisher from ACEnet summarized this new way of thinking:

> Ford is asking us to stop looking at the little small things and start looking at things that really have impact – things that can replicate and make real change. ... Ford pushed us to stop thinking in micro-advances. … Instead of measuring small retail sales at farmers markets, we wanted to start talking about measuring wholesale sales that changed lives. … CAN has found it helpful to try to be clearer about the sort of outcomes we want to achieve.

While recognizing the value of thinking bigger and more strategically, CAN members also saw areas where the model did not quite fit what they were seeking to accomplish. According to Justin Maxson, executive director of MACED, the ideas in the model were "floppy and inconsistent and too theory-like." Kathylyn Terry, executive director of Appalachian Sustainable Development (ASD), pointed out the problems that arise in trying to explain the model to constituents:

> If I go talk to a wood product manufacturer, am I having a conversation with him about the wealth matrix? Absolutely not. If you want a regular businessperson to hear what you are saying and to engage in this work, you need to speak their language. Eventually it is possible – with some partners – to bring the conversation around to wealth creation and to engage them on that level. But that is definitely not where we would start.

Because of its maturity as a network and its long-standing relationships with Ford, CAN was able to bring these concerns to Wayne Fawbush and the consultants who had helped to develop the model, Shanna Ratner and Deb Markey. After a number of direct and at times challenging conversations, CAN and Ford came up with a version of the model that would specifically suit CAN. Looking back on this process, Maxson reflected that:

> It's really coming around the last year or so, but it's been really slow and really hard. They were really receptive, I think, to helping us and letting us figure out [how to measure progress within the terms of the model].

Stage 5: Acting According to the Collective-Impact Model

In 2009, CAN agreed to adopt the wealth-creation model as a common framework to guide each of their organization's strategies for sustainable economic development. CAN and its member organizations viewed the wealth-creation model as a means of scaling up the impact of their work. In refining their strategies for economic development, the organizations added the concept of value chains, which CAN defines as "supply chains infused with the triple bottom line values of promoting financial, social, and environmental goals" (CAN, 2012, p. 4). In practical terms, this means finding new ways to distribute food products that are raised or produced in each sub-region. These value chains allow local farmers and producers to gain better access to wholesale buyers such as grocery stores, restaurants, schools, and hospitals. Focusing on value chains has led to changes in strategy and programming both among CAN's member organizations and for the network as a distinct entity.

Moving from collective learning to collective action has been complex and time-consuming. Representatives from CAN agree that hiring Rural Support Partners (RSP), based in Asheville, N.C., as the network coordinator was crucial in making this transition. Thomas Watson played a key role in helping the CAN organizations understand and appreciate the wealth-creation model. He also was active in negotiating a version of the model that was acceptable to Ford and CAN. As CAN has implemented the model, RSP has taken the lead in providing training and technical assistance, developing a system for measuring progress, and reporting on the work to funders and larger audiences. Katy Allen has been the lead person in carrying out these measurement and reporting functions.

CAN's collective-impact strategy has required a large infusion of new resources to the network and its member organizations. Over the past five years, Ford has invested between $350,000 and $500,000 per year. These grants provide support for programs, activities, and staffing within the member organizations, along with the coordination, training, technical assistance, mini-grants, conferences, education, measurement, and reporting that RSP conducts or facilitates at the network level.

Like Ford, the Babcock Foundation has continued to support CAN as the network moved from Stage 3 to Stage 4 and then Stage 5. Babcock makes grants to the individual member organizations to cover core operating expenses, and also provides funding so that staff from these organizations can participate in CAN meetings and CAN-sponsored events. In addition to these financial contributions, Babcock's network officer for the region, Sandra Mikush, has been a key player in helping CAN learn how to do systems-change work.

Mikush and Fawbush have also advanced CAN's work by educating other funders and encouraging them to support CAN and its member organizations. For example, the Appalachian Regional Commission (ARC) is co-funding, along with Babcock, a Small Grants Program that allows

> *At the network's annual gathering, funders and practitioners are intentionally placed together in settings that foster open and honest dialogue.*

CAN to allocate grants of up to $20,000 to local food initiatives in the region.

Support from CAN's funders goes well beyond simple advocacy. Mikush and Fawbush have encouraged other regional and national funders to conduct their own system-level analysis of how to increase economic prosperity in the Central Appalachian region, and to include representatives from CAN in their strategic analysis.

The Appalachian Funders Network provides a forum for cross-learning between CAN and funders working in the region. The funders network is a group of public and private grantmakers who share an interest in promoting an "entrepreneurial-based economy that sustains the environmental and cultural assets" of the Appalachian region (Appalachian Funders Network, n.d.). At the network's annual gathering, funders and practitioners are intentionally placed together in settings that foster open and honest dialogue. As a result, the participating funders have become more sophisticated in understanding the dynamics underlying the region's economy and have learned about new opportunities for retaining wealth within the region. In the process, many of the funders operating in Central Appalachia are now operating from the same system-level analysis that guides CAN's work.

Lessons From the Case Study
Funding Collective Impact
Central Appalachia has benefited in crucial ways from the economic- and community-development work of CAN and its member organizations. That work has evolved and become more

sophisticated as a result of the networking, learning, and strategy development that have occurred through CAN. A variety of funders have been instrumental in moving this work forward and formulating CAN's approach to collective impact. Without diminishing the 20 years of hard work and good thinking of CAN and its member organizations, it seems safe to conclude that the region's economy would be weaker without the well-timed contributions of the Kellogg, Benedum, Heron, Babcock and Ford foundations and the Appalachian Regional Commission.

CAN's funders went beyond simply writing checks. The program officers spent considerable time with the members of CAN and offered their own ideas for accelerating the learning process. For example, Caroline Carpenter from Benedum pushed the idea for the study tour to Denmark and Italy, and accompanied the CAN members on the trip. When she moved to Kellogg in 2001, she continued to provide CAN with funding and with opportunities to develop the skills required for policy work. According to Pam Curry, the three-year grant allows "[us to] set up a real strong structure for us getting together and having outcomes tying policy with communications. It really jumpstarted a lot of our work."

Sandra Mikush from Babcock and Jeff Campbell from Ford played a similar role with CAN during the lead-up to the collective-impact work.

The CAN case study demonstrates that funders can add considerable value to organizations and networks that carry out collective-impact work. Even more importantly, the case study points out **how** funders should go about supporting the work.

The overarching lesson for funders is that they need to be sensitive to the interests and needs of the actors with whom they are working. Those interests and needs will be very different for a highly developed network such as CAN than they are for a group of largely disconnected organizations.

At the time that Wayne Fawbush introduced the wealth-creation model to CAN, the member organizations had spent many years working together on learning-based projects and had come to recognize that there might be value in aligning their programmatic strategies. They were actively looking for new ways to scale up their work. As Larry Fisher of ACEnet recalled,

> We talked as a region but everyone kind of still did their own stuff. When this opportunity [with Ford] came, it opened a door for us to say, "Hey, these are all things that we're doing on the ground that's day-to-day, real work and how do we learn and share and make the best use out of each other in doing this?"

While they value the wealth-creation ideas that Fawbush and his colleagues presented, CAN's members are adamant that funders should not push a network into collective action before the network decides on its own to pursue this course. Justin Maxson pointed out that this was the sequence of events for CAN and Ford: "Our transition around deepening CAN's role and work was made independent of Ford. And we saw Ford as an opportunity to do that."

More generally, the interviewees indicated that collective action is appropriate for a mature network, but not for a network where the members have just begun to form relationships.

Coaxing Into the Unknown
Ford's experience with CAN suggests that impact-oriented funders can be in fact be assertive, but they need to modulate their interactions in accord with the network's stage of development. When a network is in a formative stage, too much pushing can easily draw the group into pursuits that are outside the intrinsic interests of members. Later on – once the network has gelled and matured – the members are able to interact with the funder with a clearer sense of their own interests and requirements. During these later interactions, the funder may in fact have a direct influence on the decisions that the network makes and the direction it pursues. Justin Maxson acknowledged that working with Ford "has required us to do stuff we wouldn't have necessarily done otherwise." This included devoting time and resources to "larger" work that went beyond the member organizations' existing strategies.

As grantmakers consider what they will require of their funded organizations and networks, it is crucial that they remain sensitive to the power imbalance. By dangling the prospect of a grant, a funder is able to coax organizations and people into trying things that they wouldn't otherwise do. This power can easily be abused. But the funder is also in a position to prod actors to do unnatural work that might be beneficial in the long run and in the bigger scheme of things. Participants in CAN recognized after the fact that they had been coaxed into work that actually served their larger interests. According to one CAN member,

> If it wasn't for the requirement to do some of these pieces, like trying to work on regional policy, it probably wouldn't happen. I mean, there's an interest there and there's a need, but it's complicated enough and painful enough that it would probably not happen. The group would be like, "You know what? We got our plate full. Let's not do this." … [But] I see how it helps my clientele in communities, so there's value, and I'm going to engage in it. But it's very hard. It's long term, and it's just tough. … But there's value in doing it.

Reciprocal Impact

It would be disingenuous to end this article with the impression that the contributions between funders and funded organizations flow in only one direction. CAN's funders have become smarter and more strategic through years of interacting with the network and the member organizations. For example, Ford's wealth-creation model evolved based on the practical, on-the-ground wisdom that CAN organizations brought to Ford, wisdom that CAN had accrued through decades of working directly with farmers, small businesses, government officials, and others.

As the wealth-creation model has been implemented over the past three years, Ford and other funders have learned alongside of CAN about the strengths, limitations, and nuances of sustainable, locally relevant development work in Central Appalachia. The Babcock Foundation has used what it has learned to develop and refine its overall strategy for the Appalachian region. Through the work of the Appalachian Funders Network, a

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number of other private foundations, community foundations, and government funders have begun funding organizations and projects that they otherwise would have passed up.

The extensive co-learning that has occurred among CAN and its funders suggests that one of the most valuable things a funder can do to promote collective impact is to engage directly with the work, and to do so with an open mind and a sense of humility.

Strategic Philanthropy

All too many funders have come to believe that the shortest and surest path to large-scale impact is to find the "right" strategy and then to fund a group of organizations to carry out that strategy (Brest, 2012). In fact, no single organization – funder or otherwise – is smart enough to generate the most effective strategy for achieving large-scale progress on entrenched social problems. Networks and nonprofit organiza-

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tions can certainly benefit from the foundation's "larger" perspective. But funders also need to acknowledge that the groups they fund have crucial knowledge. Moreover, the funder and the funded groups can all improve their performance by experimenting and learning in a collaborative manner.

When funders learn how to truly partner with the groups they fund, the collective-impact paradigm will reach its full potential. In the process, we will begin to recognize that the surest path for foundations to solve large, complex problems is not strategic philanthropy, but rather co-strategic philanthropy.

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