



**Leadership Dialogue:
NewSchools Venture Fund, New Profit Inc. and
New Leaders for New Schools**

Overview

School principals are at the heart of New Leaders for New Schools, a program aimed at fostering high academic achievement in public school children. The organization pursues its goal by recruiting talented people from outside education to become urban school principals, providing them in-depth training, placing them in schools, and offering the ongoing support necessary for success.

The idea grew out of a two-page concept paper drawn up by Jon Schnur and developed during his graduate studies at Harvard Graduate School of Education. It was there that he met five forward-thinking people who ended up playing integral roles at New Leaders, of which Schnur became executive director.

One of those people was Kim Smith, CEO of NewSchools Venture Fund, a venture philanthropy firm based in San Francisco. When Smith and Schnur met, NewSchools Venture Fund had been exploring solutions to the leadership shortage in public education. NewSchools provided seed money to further develop Schnur's concept.

NewSchools, together with the Broad Foundation and another venture philanthropy fund called New Profit Inc. (NPI), provided investments that were critical to getting the fledgling nonprofit off the ground. In addition to offering financial resources, these three donors also helped the group's management team to organize a board of directors, define its goals and objectives, and flesh out a strategic plan.

The three funders also invested a great deal of time identifying roles for themselves that would put them in a constructive position to guide New Leaders. At various points in the organization's evolution, as different skills were called for, different "leaders" among the funders took center stage. Initially, NPI focused on helping set up a balanced scorecard to plan the nonprofit's growth and measure the results of its work. NewSchools took charge of helping develop the organization's plan to measure and evaluate its educational impact.

Having three highly engaged funders involved at one time could have wreaked havoc, with each one making competing demands and pursuing different visions. To avoid those conflicts, the three spent a great deal of time from the start to ensure they were in agreement and spoke with one voice.

All participants cite this early effort to achieve a unified focus as critical to the organization's success. Schnur, aware of the risks of multiple high-engagement funders, required consensus among them so that he would be working with only one strategy.

In many ways, the funders' approach echoed that of venture capitalists in the for-profit world. Starting with the early strategic planning sessions, the three discussed and challenged every detail of New Leaders' plan. Although the core concept and approach of New Leaders were never in question, these sessions allowed the funders to agree on how the organization could best achieve its objectives.

As is common with for-profit venture capitalists, both NPI and NewSchools took seats on the board of directors. That position allowed them each to ensure that their investors' money was creating as much impact as possible. It also invested them in the success of New Leaders—not as outside funders demanding results but as participants in key decisions who were accountable for the results.

This approach has successfully leveraged the complementary strengths of each funder. Kim Smith cites the venture capital world as the model for how NewSchools operates; it specializes in an industry—in this case education—becomes expert in that industry, and invests in that industry with both intellectual and financial capital. NPI focuses on building organizational capacity and providing many of the tools available to the for-profit sector (e.g., high-level strategic planning) to its nonprofit portfolio partners.

Through open and constructive communication about the desired outcomes, this group has avoided many of the pitfalls that might befall a coalition of high-engagement funders involved in a start-up organization. As Smith notes, "Everyone's individual success depends on our collective success."

About the Organizations

NewSchools Venture Fund is a venture philanthropy firm that seeks to transform public education through powerful ideas and passionate entrepreneurs so that all children—especially those underserved—have the opportunity to succeed in the 21st century. NewSchools Venture Fund raises early-stage capital from institutional and individual donors and invests it in nonprofit and for-profit ventures led by promising education entrepreneurs who are creating high-quality, scalable solutions that address the most critical problems facing education. And, because education is complex and change-averse, NewSchools fortifies its positions with thought leadership designed to foster an environment conducive to high performance and to real change.

New Profit Inc. is a nonprofit venture philanthropy firm committed to the practice of high-engagement philanthropy and the evolution of a new market for social change. New Profit's goal is to effect large-scale social change by applying strategic investment practices to philanthropy. New Profit operates a performance-based fund that, in combination with an infusion of strategic resources, supports social entrepreneurs in growing proven nonprofit organizations to scale; New Profit Inc. also works to build a community of investors who are committed to the exploration and definition of a new market that invests in social enterprise.

New Leaders for New Schools is a national nonprofit organization that fosters high levels of academic achievement for every child by attracting and preparing the next generation of outstanding principals for urban schools. It provides rigorous, hands-on training (including coursework, a yearlong residency with a mentor principal, and three years of on-the-job coaching), helps place its graduates in urban public schools, and provides them with ongoing support, networking, and a community of peers after graduation. New Leaders is dedicated to leaders with dreams of creating and leading schools that prepare all of our students for the 21st century.

By the Numbers

NewSchools Venture Fund

Funds Granted:

NewSchools has invested or committed \$20 million to date from its first fund. NewSchools' second fund will offer a \$40-60 million investment pool.

Staff Size:

15

Geographic Area of Focus:

Nationwide

Types of Organizations Funded:

Entrepreneurial ventures focused on addressing the needs of strategically targeted areas within K-12 public education

New Profit Inc.

Funds Granted:

Through its "evergreen" fund, New Profit has invested or committed nearly \$10 million to date in cash and \$12 million in consulting services from the Monitor Group and other executive partners.

Staff Size:

9

Geographic Area of Focus:

Nationwide, headquartered in the Northeast

Types of Organizations Funded:

Systems-changing nonprofit models led by social entrepreneurs

New Leaders for New Schools

Year Started:

2000

Annual Operating Budget:

\$5.7 million

Mission Focus:

Fostering high academic achievement through outstanding school leadership

Services Provided:

Recruitment, development, and support of new principals for urban schools

By the Numbers

Funder/Nonprofit Relationship (NewSchools Venture Fund and New Leaders)

Year Relationship Started:
2000

Expected Length of Relationship (in years):
10

Total Dollars Granted to Nonprofit to Date:
\$1.3 million

Funds Committed Over Life of Relationship:
Have committed an additional \$800,000 over the next two years; more will be invested over the life of the relationship, but none of that has yet been projected

Number of Hours of Funder Assistance Provided Annually:
Approximately 225

Funder/Nonprofit Relationship (New Profit Inc. and New Leaders)

Year Relationship Started:
2000

Expected Length of Relationship (in years):
8

Total Dollars Granted to Nonprofit to Date:
\$300,000 plus approximately \$1 million in pro bono consulting by the Monitor Group

Funds Committed Over Life of Relationship:
Currently finalizing a four-year \$840,000 commitment

Number of Hours of Funder Assistance Provided Annually:
Approximately 1,000

Dialogue

The following excerpts are from several conversations held in August 2003 at the offices of the NewSchools Venture Fund and Community Wealth Ventures. Participants were:

- **Vanessa Kirsch, Founder & President, New Profit Inc.;**
- **Jon Schnur, Co-Founder & CEO, New Leaders for New Schools;**
- **Kim Smith, Co-Founder & CEO, NewSchools Venture Fund;**
- **Joanne Weiss, Managing Partner, NewSchools Venture Fund; and**
- **Alfred Wise, Community Wealth Ventures, moderator.**

Moderator: Let's discuss the progress of your relationship, and let's approach it chronologically. How did you two funders find New Leaders and how did New Leaders find NewSchools Venture Fund and New Profit Inc.?

Schnur: In the fall of 1999, I had come to Harvard for what was to become an individualized master's degree at the education school. I wanted to take a concept and turn it into a new nonprofit organization dedicated to improving public education dramatically through effective leadership at the principal level. At that point, I had no team and no funding. All I had was a two-page concept paper.

I took a class at Harvard Business School called 'Entrepreneurship in the Social Sector,' which led to a number of very good things. The five of us who wrote the New Leaders business plan—some from the business school and some from the education school—were all in that class. That class led us to New Profit and Vanessa and NewSchools Venture Fund and Kim.

Vanessa liked our idea, and New Profit had a track record of helping nonprofits grow to some scale. At the same time Allen Grossman and Jim Austin, who were co-teaching the business school class, convened a forum for venture

philanthropy, or highly engaged philanthropy, that included people from New Profit and NewSchools Venture Fund, and Kim was there. We were really impressed with her and with the focus and the approach of the NewSchools Venture Fund. Kim read the concept paper and said she was interested in further conversations over the next few months. These two organizations, and the Broad Foundation, gave us lots of helpful, critical feedback on the business plan as our team was developing. I had no idea at that point what an important role these organizations would play over time in creating and helping make New Leaders successful.

Smith: We had done an analysis of the public K-12 education system and had identified important points for entrepreneurs to tackle. One of them was preparing school principals for an impending principal shortage and to improve their leadership and management practices. I was at Harvard for a conversation among funders on venture philanthropy issues when Jon handed me the concept paper, and I told him this was exactly the type of thing we were looking for. When you are doing venture capital or our version of venture philanthropy, you have an analysis of the market that you are working from that includes those areas in which you believe important things need to take place. Jon's ideas fit perfectly into one of the key areas we were looking for.

Moderator: Vanessa, how did it fit in with the New Profit model?

Kirsch: In general, New Profit has focused on investing in "second stage" organizations. But we always begin with the quality of the entrepreneur. Even though New Leaders was at a pure start-up stage, their blend of people and product was incredibly impressive and exciting to us. We believe that there is nothing as powerful as a good idea in the hands of a social entrepreneur. So when I met Jon, Monique, and Ben, it was obvious that this was the right team and that they needed to get going quickly.

Ed Cohen and Mark Nunnally, who are on the board of New Profit, met with Jon and Monique and said, “This is a winning team, and we have to invest now.” Ed, in particular, pushed us to move quickly. He is a founding partner of General Atlantic Partners and the founder of Echoing Green so he has a track record of investing in start-up organizations by social entrepreneurs. We felt that New Profit could make an early investment that would free up these incredibly talented people to focus exclusively on their vision and plan. Ed committed to invest \$100,000 if NPI invested \$150,000. Our board approved it right away.

Moderator: So you moved a little outside your area of focus with New Leaders because of the concept or because of the team?

Kirsch: Number one because of the team, and number two because of the concept. If we were considering investing in New Leaders today, they would meet all of New Profit’s selection criteria, which include assessments of mission and social impact, social entrepreneur and leadership team, previous performance, capacity for growth, and fit with New Profit.

Weiss: New Leaders was a more natural fit for NewSchools because our approach has consistently been to start with early stage ventures and help them build their organizations. So from that point of view,

starting with two people and a concept paper was not uncommon for us. NewSchools, unlike some other funders, is very industry-focused and mission-focused. The big picture goal for NewSchools is to transform education through entrepreneurship, hence the focus on the early stage investments. Human capital, in general, and teachers and leaders, in particular, were among the key leverage areas that we were interested in, so New Leaders fit squarely within our strategic focus.

The other social screens for us are: Does the venture have the potential to have a direct and measurable impact on student learning? Does it have the potential to have a catalytic impact? That is, beyond the impact that it has directly on students, could it have a broader impact on the entire system? It seemed to us that this was possible with New Leaders.

In fact, we think it’s possible that New Leaders will actually have a bigger catalytic impact than direct impact. What New Leaders is doing to change the way the system thinks about the issue of leadership is potentially a bigger win even than the one million children whom New Leaders principals will someday be leading. We thought—and still think—that there is a high probability that New Leaders will have a big impact on the system that’s disproportionate to the size of the organization.

The other two social screens that we use are scalability and sustainability. Is the venture going to be scalable, and thus able to affect thousands, tens of thousands, hundred of thousands, or millions of children? With New Leaders, we thought the jury was still out on this because New Leaders is such a service-intensive and human capital-intensive business. The other screen is sustainability. Will New Leaders be able to figure out a way to sustain itself—financially and otherwise—so it will be around long enough to have the desired impact? That too, in the early years, was a question mark.

Moderator: When you are looking at investments, how do you assess leadership?

Smith: We think about it in a couple of ways. One is specific to the venture. Different types of business models require different types of expertise on the team. And we look at both the executive team and the board—because that is how we think about leadership, as a combination of the board and the team. Do they have the kind of board they are going to need to get this particular type of work done?

On the executive team, we are looking at how the pieces of the team fit together. There is not just one archetype for a successful entrepreneurial team. People can be combined in different ways into very successful teams. As a whole, the

On Roles and the Relationship

“Our differences as funders complemented each other, and we set out to support New Leaders from our respective experiences and networks.” —Kirsch

“Everyone was very involved and what was incredible to us was that we weren’t having three separate conversations. We were having one conversation where topic-by-topic, different funders could take the lead but with involvement and consultation with other funders.” —Schnur

“Each of us would take the lead when appropriate. It is obvious that different strengths are needed in leaders at different times. I remember at the beginning thinking, either this is going to be a total success or this is

going to be nightmare for Jon. I think it has turned out to be very, very positive.” —Kirsch

“The mission and values have been aligned and clear from the beginning, and those haven’t changed. A lot has changed underneath, but the highest level of the mission was very clear and we all believed in it—that and the communication are what kept us all moving together in one direction...” —Weiss

“It is very important to have open and constructive communication. Jon created a culture in which people could ask him tough questions and engage in the dialogue....everyone’s individual success depended on our collective success.” —Smith

team has to have a sense of urgency. They have to be customer-focused and quality-focused. They have to be not only smart but also good learners. They need the tenacity to keep going when everyone says it cannot be done and the humility to know when to accept incoming information. That is a very difficult balance, but it is something Jon is very good at. He is tenacious. He will fight like hell to make something happen, but he will receive incoming information, too. And he wants to learn so he can make the organization the best that it can be.

We have an additional characteristic we look for in the leadership team as well: hybrid experience. A hybrid to us is someone who brings skills and insights from across the public, nonprofit, and private sectors because to build a successful, scaling venture in education, all three are necessary.

Moderator: Jon, what was some of the first work you did together and how did you even start?

Schnur: It was absolutely a team of people that made New Leaders possible. Some were with me at Harvard as co-founders, and some were at NewSchools Venture Fund and New Profit and the Broad Foundation as absolutely critical advisors. And there was Ed Cohen, who really helped take this idea and get it off the ground. I don't believe we would have had the prospects for success that we had without the depth and breadth of this kind of team.

Monique Burns was an original co-founder, and Monique had gone to business school and was getting her doctorate at the education school focused on what skills principals need to succeed. I had this framework for the creation of a national urban principals corps with the recruiting and the selection and training and a year-long residency in support, but I had very little real knowledge about what the content of the training ought to be, which Monique was spending her life on. She was interested in creating principal training academies.

Ben Fenton, who is now our chief operat-

ing officer, was another co-founder. He spearheaded the process of creating a business plan, which was entered into the Harvard Business School annual business plan contest. That contest is mostly for teams of Harvard Business School students creating for-profit companies. We became the first nonprofit semifinalist. At that point we shared the business plan with New Profit, NewSchools Venture Fund, Ed Cohen, and the Broad Foundation. We had a couple of sessions together in which these folks grilled our team, asking tough questions. This was a potentially supportive but skeptical group of people who cared deeply about whether we could accomplish our goals. They were asking rigorous questions about all of our premises and assumptions and how we could take this idea and bring it into action.

It was interesting from the beginning that no one was saying you should shift your mission. No one was saying you should shift your focus on the principals. No one was even really suggesting that we change anything about the content or the core beliefs. All the questions were on how to build the organization. We launched with the help of this essential advice and some start-up funding from NewSchools Venture Fund and from New Profit and from Ed Cohen.

Weiss: Kim, Vanessa, and Dan Katzir from Broad actually had some very explicit conversations with each other about what it means to have three engaged funders in a deal, what role each was going to play, and how we were each going to bring our own expertise to bear to make this organization successful. These conversations began early on.

Smith: We had a strategy meeting with all the funders in Boston, which Vanessa hosted, in which we did an all-day exploration session. Broad was there, New Profit was there, and we were there. The goal was to be sure what target we were shooting for. So we brainstormed on a number of different factors that Jon and the team felt would be appropriate around student achievement and what the interim indicators would be. NewSchools made a couple of early capacity-building

grants to Jon to buy him time to make more progress before he was ready to do a big multi-year pitch to us or to other foundations. We do that for a lot of organizations we work with because we are not afraid to get involved with folks early. It doesn't necessarily mean they will become part of our portfolio.

Kirsch: We were all highly engaged donors and we were the *only* donors. New Profit's expertise is in helping organizations go to scale, not in education per se. Our differences as funders complemented each other, and we set out to support New Leaders from our respective experiences and networks. New Profit played a role in developing a balanced scorecard. Then Dan and Kim took other parts of the engagement.

Weiss: Broad took the lead on the budget and financing part. Vanessa and New Profit took the lead on the balanced scorecard and high-level strategy part. NewSchools was focused on the education expertise and the entrepreneurship sides.

Smith: We agreed with Broad that it made more sense for us to do the early stage stuff because we were comfortable with that, and Broad wanted New Leaders to be further down the path before they came in. We did have some explicit conversations among the three funders and Jon to figure out what the different value-adds were from the different funders so we could best collaborate. We try to build on what already exists in the organization if we can, instead of having to make everyone start from scratch for us. I went through that as a nonprofit manager, having to do 10 strategic planning versions for 10 different funders.

Schnur: Everyone was very involved and what was incredible to us was that we weren't having three separate conversations. We were having one conversation where topic-by-topic, different funders could take the lead but with involvement and consultation with other funders.

Kirsch: That has been a recurring theme. Each of us would take the lead when appropriate. It is obvious that different

strengths are needed in leaders at different times. I remember at the beginning thinking, either this is going to be a total success or this is going to be nightmare for Jon. I think it has turned out to be very, very positive.

Schnur: Monique, Ben, and I were worried. We certainly had learned about the benefits and the risks of highly engaged philanthropy in our classes at the business school and had not seen any cases of three highly engaged philanthropies working as a team to create a new enterprise, and we were somewhat anxious about it. My biggest apprehension was that we would need to spend so much time in different conversations with funders with different objectives and different needs that it could distract us from the core work of building the organization.

Kirsch: Jon had a particular talent in convening different parties that helped us all from the beginning. He made it easier by always doing meetings together with all of us, instead of meeting with each of us separately. He set a collaborative tone, and that was a lesson to me about how important it is to set ground rules early on.

Moderator: Kim, did you have any hesitation or any doubts at that stage?

Smith: No, I had a very clear belief in the strategy, the focus, the product, and the team.

We have an unusual model in that we

have an investment partner group of about 20 people who come together for quarterly entrepreneur presentations and ultimately make our investment decisions. Then we have our team of experienced education entrepreneurs who work with the ventures. So there is an interesting nexus that happens at these investment partner meetings where our team will already have done quite a bit of diligence and capacity building with the team before we bring them in. Then the investment partners will react and poke holes in the plan and ask questions and push the team. No one at New Leaders had much management experience, but they had a sense of urgency. One of our core values is entrepreneurial spirit, and what we call being scrappy. These guys were clearly scrappy. I felt that with Jon, Monique, and Ben, they would either get it done or kill themselves trying.

At the investment partner meeting, I said we should take a leap of faith on these guys. On a scale of zero to ten—with ten being the perfect venture with the perfect team and the perfect strategy—maybe they were a six because there was some inexperience there. The experienced venture capitalists around the table were shooting for a ten, but I said, “They may be a six now, but they are going to move from six to seven to eight. They are going to get there.” And they did.

Moderator: So it sounds like part of it was communication and part of it was that the different funders have distinct core capabilities or areas of focus.

Weiss: Yes, but also I think it is that we deliberately talked about it and worked together and valued each other’s input.

The other thing is that the mission and values have been aligned and clear from the beginning, and those haven’t changed. A lot has changed underneath, but the highest level of the mission was very clear and we all believed in it—that and the communication are what kept us all moving together in one direction instead of becoming a group that was pulling at Jon from different directions.

Schnur: We as co-founders did a good job of being clear about our mission and our values and our core beliefs. The mission is to foster high levels of academic achievement for every child by attracting, preparing, and supporting the next generation of outstanding leaders for our nation’s urban public schools. Those core beliefs have been the same from the beginning: absolute belief in the capacity of every child to achieve at high levels; absolute belief in the importance of high-quality public education, especially in our high-need urban and rural areas; absolute focus and belief in the critical role that a principal plays in driving school teams to tap kids’ potential; a belief that we need to change education at scale so we need to think about leadership systemically; and a belief in the importance of partnerships. What I respected about all the funders is that they heard that up front, believed in it, and said, “Let’s get to the how.”

Smith: If the investor and entrepreneur are naturally aligned, then disagreements

On the Management Team

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—Kirsch

“On the executive team, we are looking at how the pieces of the team fit together. There is not just one archetype for a successful entrepreneurial team.... As a whole, the team has to have a sense of urgency. They have to be customer-focused and quality-focused. They

have to be not only smart but also good learners. They need the tenacity to keep going when everyone says it cannot be done and the humility to know when to accept incoming information.”
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—Smith

On Leverage

“To have somebody who is there purely as a confidential coach is huge and is at least as important as the significant financial support we receive.” —Schnur

“One of my partners at NewSchools was intimately acquainted with what was going on in New York and was able to act as a strategic advisor to Jon behind the scenes as he was trying to manage the negotiations.... Partly it is a trust issue and partly it is an access issue that allowed us to help Jon when he needed it.” —Weiss

“We now have an agreement with the chancellor in New York to continue to grow our program for this coming year. I am not sure that would have happened without the facilitation of relationships and strategic advice that NewSchools and the Broad Foundation provided.” —Schnur

are just about how you get to your goals. In this case, all of us were aligned from the get-go. Where I have seen it get into trouble in other organizations is where everyone thinks they agree but they actually have different priorities.

Schnur: Another role that New Profit played was to help us build our initial management team. They played a critical role in helping us to bring Ben Fenton on as our chief operating officer.

NewSchools Venture Fund played a critical role in helping us think about our theory of change within the public education sector. New Profit was terrific in thinking about nonprofit theory of change, and NewSchools Venture Fund had thought deeply about how you change public education. They asked a lot of good, tough questions to help us rigorously think through what would be the consequences

of our success and how we could design this so our success would lead to the kind of catalytic impact we cared about.

Moderator: Describe your relationship now. What have been some of the outcomes of your work?

Schnur: At the outset we said we were going to create a national urban principals corps by recruiting and selecting individuals with exceptional potential. We wanted to transform public education so that all kids can reach their potential. We set out two goals. One is directly fostering high levels of academic achievement for a million children annually in 2,000 schools by 2012 through a 2,000-person principal corps. The second is to catalyze dramatic change in urban public education, particularly in the cities in which we work, but also nationally.

We saw the first phase of our work as building the organization and piloting our concept on a small scale so we could learn from it, make revisions, and grow at a larger scale. We started the first year with a pilot program that had 15 New Leader fellows in Chicago, New York, and the San Francisco Bay area. We had more than 200 people apply for those 15 slots. We created a training program that included an intensive summer institute focused on instructional leadership, organizational change, general management, and community leadership, followed by a year-long full-time paid residency in which the New Leaders fellows took on significant responsibilities in schools as resident principals under the supervision of mentor principals. The residency year would have a positive impact on the schools, and additional coursework during the year would prepare the fellows to become principals or assistant principals the following year.

We grew from 15 to more than 30 fellows in our second cohort in the same cities. We then made some significant revisions in the program based on what we had experienced. We decided not only to grow within the cities we were in but also to expand geographically. We held a competition in which we asked cities across the country to apply to become the next New

Leaders site. We selected Washington, DC, as our next site. We are now creating a partnership in Washington that has just begun this summer with an 11-person corps and will grow to more than a third of that school system’s principals in the next three years. We have reached an agreement with DC that provides high-performing principals the ability, by contract, to get far broader latitude of decision-making in schools, giving them more control over the hiring of staff based on merit, not seniority. We want them to have greater control over their budget, operations, and curriculum in exchange for demonstrating performance. That is a landmark agreement in the country.

Weiss: And it extends to all high-performing principals in the District, not just to the New Leaders principals, so it is an example of how you can change the whole system by being a small part of it.

Schnur: That is one example of a value that we had early on, which was to give good people more latitude to make decisions in schools. We are only three years into this, and already we are fostering high levels of academic achievement for kids in schools led by our principals. We have just finished the first year in which schools are being led by our principals, and we are still collecting and analyzing the data. But we recently saw huge gains in academic achievement in schools in Chicago that had New Leaders residents. The gains were not only far greater than those of other schools in the system, but they were also far greater than the gains made the previous year under the same principals. The gains were significant—there were 10 to 12 percent increases in reading and math.

We have 100 New Leaders now, who in this coming year will be in schools serving 50,000 kids. Experts say there is no better leadership training program than ours in the country. We have gained insights into the criteria needed to select principals and what the training program should look like. We have made some mistakes and we have learned from those. We have started capturing the failures and successes and transforming not only the program but also our systems and the processes

and the criteria by which we operate the program. We are still early in our lifecycle, but for us it is crucial that over the next three years we begin to see results that look good on the balanced scorecard in terms of how we are managing the organization. By 2006 we expect to see gains in student achievement on a big scale. According to the business plan, we are in schools that are going to be serving 150,000 kids by 2006, which is larger than all but a handful of the largest urban school systems in the country.

Moderator: How did you determine how many kids could be served and what the timeline would be?

Schnur: The growth strategy has been one of the most important topics of conversation at the board level. It has been one of the most helpful contributions that the board and New Profit and NewSchools and Monitor and the Broad Foundation have made in helping us rigorously think through our growth plan.

Weiss: All of us have been interested in scalability. It was part of the original plan for everybody. The question of how you get there is very complex and is constantly changing. The first argument was depth versus breadth.

Kirsch: From the get-go, growth was key. Even before any funders were at the table, New Leaders had big aspirations. Having multiple highly engaged donors has shaped everyone's thoughts about growth. If we were not as deeply engaged in this investment, the numbers might not really mean much to us as metrics, but I think that all of us understand what is going on and know the organization's capacity.

Schnur: It also tempers the kind of potential meddling that could take place from a big but unengaged funder that wanted to shape how things went. No board member in his right mind would at this point say, "Well, this is so good that we need to start expanding this to 10 new cities a year."

Weiss: But from the outside, you could say that if you weren't engaged.

Schnur: People from the outside do. Some people may worry that the high level of engagement could lead to more "meddling," but we have found that engagement has led to very constructive help and appreciation for how to achieve our goals.

Moderator: So how would you say that besides hitting certain measures, you are accountable to NewSchools and New Profit? Likewise, what do you feel your accountability is to Jon and his team?

Weiss: The balanced scorecard is so data- and outcomes-focused that it drives the entire organization to think in terms of accountability. Any of us can pull out a one-page document and say, "Here are the goals for this year and they are all quantified. Here is exactly how we are doing on a quarterly or annual basis." As a framework, the balanced scorecard has been extremely helpful, but, more importantly, it has made the culture of the entire organization very accountability driven.

From NewSchools' point of view, we have a couple of additional things we ask our portfolio organizations to do. We ask them to complete a quarterly report on a variety of dimensions. They have to report on how they performed against their goals from the previous quarter and what their goals are for the next quarter in terms of organizational capacity, growth, and execution. In addition, there are a number of specific metrics for outcomes and catalytic impact that we track on a quarterly and annual basis across all of our organizations.

Another way we hold the nonprofit accountable is to disburse money to the organization based on hitting milestones. These milestones, mutually agreed upon, are consistent with the venture's mission and strategy, and in New Leaders' case, are a subset of the balanced scorecard goals.

Moderator: What do you do if they don't hit them?

Weiss: We always take a board seat on all of our investments. If we find out

something new on these reports, then it's our fault because we should know the status. These reports should just be our organization's way of confirming and documenting what's going on. If an organization did not hit its growth target and we understood why and were part of the decision to change it, that would be fine. If they did not hit the target because they had done something different from what they and the board had agreed to, then it's a different story.

Kirsch: To me, the balanced scorecard is a tool to align the community of stakeholders, which includes New Leaders' staff, all the way to the city directors, the fellows, and the board. We are all now on the same page. We all know where they are trying to go. I feel as accountable to New Leaders achieving their goals as they do.

Smith: It is interesting to think about accountability across the capital markets— for-profit and nonprofit. A venture capital firm is establishing its brand, and, so if you don't serve your entrepreneur well down the road, entrepreneurs will not pick you as a venture capital firm. Generally, on the nonprofit side, it doesn't appear to me there is any accountability between foundations and the nonprofit organizations they fund. A program officer and a foundation are not held accountable for what happens with the things they fund. For us, a big part of our success as a firm is whether the things we are supporting are successful.

One of the things I wrestle with on the question of whether an organization is successful is that the answer changes over time in such a dramatic way. What is the appropriate time window to ask that question? There is this value equation that social entrepreneurs need to think about when they consider working with an engaged philanthropist. It is not merely the cost of the time I have to spend doing the planning. It is the benefits of the dollar they give me, the benefits of the connections they give me, the benefits of the strategy assistance they give me. The nonprofit must net it out over time and decide if it is valuable or not. You need about a three-year time window.

That is not to say you couldn't fail in a shorter period of time. You could be terrible and everyone knows it within six months. But generally you need a three-year window because it is a heavy cost to entrepreneurs in the early part when they are working on their plan and feeling like they have to do so much work to get this money—and it probably isn't all that much money. But then over time, their strategies get nailed down and they start to execute. So the equation is skewed. It is harder on the entrepreneur in the short run but over the long run, the entrepreneur has to feel like it's worth it.

Moderator: You raise an interesting question, Joanne and Vanessa. Are you both on the board?

Weiss: Yes.

Kirsch: Yes.

Moderator: So you are wearing two hats as funder and as board member. How do you juggle having two fiduciary obligations?

Weiss: I don't see it as being any different from when a venture capitalist sits on a board.

Kirsch: I don't either because New Profit's investors have asked us to invest their money well and to achieve high impact. I am doing that by investing in New Leaders and sitting on the board. If New Leaders isn't hitting its goals, my investors say to me, "Vanessa, what are you doing wrong?" They don't say, "What is Jon doing wrong?" We once had an organization in New Profit's portfolio that was wobbling and our investors said, "You have to go to the wall for this organization." They saw the wobble partly as a result of something we were doing wrong. This is a different sort of accountability structure than other funders might have.

Smith: I would say that in the conversation around taking a board role, many traditional philanthropists say they don't want to have that big an impact on a nonprofit organization strategy—which I honestly think is disingenuous because

in fact foundations have that impact all the time by deciding what they are willing to fund. They often do directed giving. Nothing has more of an impact on an organization's strategy than directed giving. Having said that, I do think we have learned that taking board seats is really complicated, and I think it goes back to the earlier comments about the life cycle of an organization and the time window.

I can't give you a simple answer about whether board seats are good or bad. There are tradeoffs. But I can say that in the for-profit world there is an expectation that you have every one of your investors on your board to add value and to represent their fiduciary responsibility. In the nonprofit world there is a much more amorphous set of expectations for board members. Some are there to add value in terms of the strategy or operations of the business. Others are there for different reasons, whether it is political or whatever. In nonprofits, it's often a good thing to have broad boards, but what complicates the answer is that the entrepreneur and other people around the table often have dramatically different expectations for what board members are supposed to do. So in Jon's case, he really wanted a set of engaged board members who were his investors. But he also had other advisors there whose opinions matter to him, so it was not totally driven by funders.

Kirsch: I was once in a Council on Foundations meeting where an attendee asked whether, if I were on the board of an organization, I would go to the ballet with one of my grantees. She asked this as if it were an ethical dilemma. Our perspective is that it is important to have strong, deep working relationships with our portfolio organizations, and a board seat can be a natural extension of that. Relationships are built in the boardroom and outside it. So, of course we would go to the ballet or a ball game with our grantees if it were in the context of deepening our relationship.

Schnur: As members of the board, we are a team jointly accountable for accomplishing goals. It does not feel like this is reporting to an outside entity. These are people rolling up their sleeves

and saying we have established goals and measures and how do we work together to accomplish those?

So far, we have hit our goals. That made it easier when we went to the NewSchools Venture Fund for a potential re-up of funding. We took the exact goals and language from slides we had presented three years ago about what we said we would do. We described what we did and it matched. We have accomplished our goals so far with a lot of effort and a lot of challenges. I would imagine if we had not together accomplished these goals in the first few years we would not be necessarily getting the level of financial support that we are going to be getting over the next couple of years.

Kirsch: Not all of the portfolio organizations we have invested in have experienced such a productive interplay among a group of highly engaged donors. It's a challenge when funding is tied to specific goals and those goals are not hit. Often, a donor is not engaged enough to feel comfortable adjusting those goals. I think there is a high degree of responsibility for donors to make sure their goals are truly aligned with those of their grantees and that they are not forcing something. This can seem like a fine line, but it is a line that is easier to identify and manage against if you are highly engaged. When you are highly engaged, you can see that an organization is not only succeeding or failing to strive towards a funder's goals; you can see that it is succeeding or failing to strive towards its own.

Weiss: This is different from most funding in that there is a lot of front-loaded work and pain from the venture before it starts getting the benefits from the relationship. We ask prospective ventures to put a lot of time into doing the plan, complying with all of our diligence requests (which as Jon can tell you are not trivial), and reporting back to us. There is a lot of work that they have to do before they get the first check, and that is because in our experience we need to really understand who and what we are investing in. We are making a very long-term commitment of time and money.

The benefit, if you get there, is that you typically get much more money than a traditional foundation grant would provide, and it's flexible money. You also get strategic advice and guidance; we are there, we are actively engaged, and you can call us anytime.

Moderator: You both have referred to your networks. Talk a little bit about what your networks are and how you leverage them to bring some help to this investment.

Weiss: NewSchools' network is made up of businesspeople—primarily venture capitalists and CEOs who are interested in the issue of education—education leaders, policymakers, and leaders from the non-profit world. We host an annual summit and an annual retreat just for our portfolio organizations. In both of these cases, we bring different groups of people together in forums that foster dialogue and networking. Then, on a case-by-case basis, we open our Rolodexes and use them on behalf of our ventures in a variety of ways. In this case, the search for the board was well structured; the team outlined the categories of expertise they felt they needed on the board. We discussed and finalized these. That gave us a clear idea of what names to bring forward. In different cases our network would apply in different ways.

Schnur: No one has ever forced relationships on us with particular people or

brought in particular board members. The funders didn't say, "Okay, we are going to have to build this board for you or choose who is going to come on." It was, "We are going to tap our expertise and networks to help you do this in a way so you can be successful." We learned how to build a board and then we did it with help from other board members rather than the board forcing relationships on us.

Weiss: I think that is an important point because when we use words like "highly engaged," it sounds like micromanaging or getting in there and doing the work. It really is not. We take a board seat, but we have a very clear idea of what a board member's responsibilities are. We are board members whose role is to guide and advise the organization and to hold the CEO accountable.

Kirsch: I feel accountable to Jon, to Joanne, and to the other board members, and this has helped create a culture that produces a higher performing board. High performance among board members is constantly reinforced.

Schnur: This took a lot of work, a lot of deliberateness, and a lot of explicitness. There is as much team building on this front as there is in building other teams. This is a risky area for organizations with "highly engaged" funders. Somebody could use that name without paying enough attention to how to do this

and could wind up prescribing and micromanaging inappropriately in a way that leaves the CEO and a management team not sufficiently empowered to lead the organization toward clearly established goals.

Kirsch: New Profit provides confidential coaching opportunities, tapping senior Monitor Group consultants to coach CEOs of our portfolio organizations. Jon has a relationship with his coach, Jim Cutler, that is independent of New Profit. When he faces challenges, including in his work with us, he can consult with Jim. In addition to being a sounding board for Jon, Jim can help to maintain alignment between New Profit and New Leaders and provide an additional line of sight between our organizations. This has turned out to be valuable to us and, I think, to Jon. I would like to see highly engaged donors make sure they include somebody else in the ongoing development of their relationship who has a different line of perspective.

Moderator: So you have provided someone you trust to be a coach but there is kind of a wall there?

Kirsch: Yes, and luckily, we have not yet experienced the downside of the wall or of the dynamics of this set of complex relationships to a significant degree. We did have a unique experience when the CEO of another New Profit portfolio organization told his coach that he was

On the Board of Directors

"We always take a board seat on all of our investments. If we find out something new on these [quarterly] reports, then it's our fault because we should know the status. These reports should just be our organization's way of confirming and documenting what's going on."

—Weiss

"New Profit's investors have asked us to invest their money well and to achieve high impact. I am doing that by investing in New Leaders and sitting on the board. If New Leaders isn't hitting its goals, my investors say to me, 'Vanessa, what are you doing wrong?' They don't say, 'What is Jon doing wrong?'"

—Kirsch

"I can't give you a simple answer about whether board seats are good or bad. There are tradeoffs. But I can say that in the for-profit world there is an expectation that you have every one of your investors on your board to add value and to represent their fiduciary responsibility."

—Kirsch

"As members of the board, we are a team jointly accountable for accomplishing goals. It does not feel like this is reporting to an outside entity. These are people rolling up their sleeves and saying we have established goals and measures and how do we work together to accomplish those?"

—Schnur

going to leave the organization before he told us, but that enabled the coach to help him in the process.

Schnur: The coaching relationship with Jim Cutler has been one of the most important assets to building New Leaders. This is one of the examples that illustrate the point that when highly engaged funders do it right, they give way more than just funding. Jim invests a ton of time. We have weekly conversations about managing the organization. He has helped facilitate team retreats. He has helped co-teach a course on organizational change. He has helped to counsel and advise us on management. He is an experienced manager and understands how to build organizations and HR systems and has been just a huge help to me in so many ways. I have felt throughout a sense of complete trust that it is a confidential relationship.

Joanne had said earlier that there is not much of a difference between the role of funder and the role of board member. That generally is true, but, at the same time, there is always a difference no matter how hard they work at it. To have somebody who is there purely as a confidential coach is huge and is at least as important as the significant financial support we receive from NewSchools and New Profit and others.

Weiss: A couple of other examples of the networks that we bring to bear. New Leaders has had issues with their relationship with New York City as New York went through the hiring of a new

chancellor and the recruiting of a whole new administration. There were questions about what that would mean for the ongoing relationship that New Leaders had. One of my partners at NewSchools was intimately acquainted with what was going on in New York and was able to act as a strategic advisor to Jon behind the scenes as he was trying to manage the negotiations. Similarly, the Broad Foundation has very deep relationships in New York City and was able to act in similar ways to Jon. Partly we acted as honest brokers to help the two sides because New York City and New Leaders trusted Broad and NewSchools to do the best thing. Partly it is a trust issue and partly it is an access issue that allowed us to help Jon when he needed it.

Schnur: New York is a great example. Joel Klein is the new chancellor of the New York Public Schools and has a really terrific reform plan for changing New York public education. I met him at a retreat that the Broad Foundation sponsored and began to develop a relationship with him. I got incredible help and advice along the way, in particular from NewSchools and the Broad Foundation. We now have an agreement with the chancellor in New York to continue to grow our program for this coming year. I am not sure that would have happened without the facilitation of relationships and strategic advice that NewSchools and the Broad Foundation provided.

Moderator: What have been some of the challenges and lessons?

Kirsch: This is the first time that New Profit has made a seed investment, so there have been bumps and we're learning along the way. The challenges that we experience around our work with New Leaders mostly has related to building a board from scratch. Initially, it was hard to develop a balance between planning and execution while we created a balanced scorecard and performance metrics. We struggled with goal setting because so much was unknown and experimental, and there was little data to go by.

Smith: One lesson for all of us was that it was very difficult to have a start-up organization with three heads because when New Leaders began, Jon, Monique, and Ben were co-leaders.

Moderator: So they had not delineated roles?

Smith: They had officially, yet not so much in practice because they were all very smart and talented people, and there was a desire to have as little hierarchy as possible. It was well-intended, but it is not possible to sustain that. It is not okay with funders, and that is true on both the nonprofit and for-profit sides, frankly. You can do all sorts of different things culturally in terms of how you deal with decision-making, but in the end there has to be one person who is ultimately responsible for everything. With New Leaders, that was cultural evolution.

Weiss: Another thing that has been hard for us is that NewSchools has gone

On Outcomes

“We have 100 New Leaders now, who in this coming year will be in schools serving 50,000 kids.... According to the business plan, we are in schools that are going to be serving 150,000 kids by 2006, which is larger than all but a handful of the largest urban school systems in the country.”

—Schnur

“The balanced scorecard is so data- and outcomes-focused that it drives the entire organization to think in terms of accountability. Any of us can pull out a one-page document and say, ‘Here are the goals for this year and they are all quantified. Here is exactly how we are doing on a quarterly or annual basis.’ As a framework,

the balanced scorecard has been extremely helpful, but more importantly, it has made the culture of the entire organization very accountability driven.”

—Weiss

“Jon has clear metrics. He has process metrics, such as how many people are we training and placing, and are they getting good jobs as principals in our target districts....And then there are outcomes themselves, such as how student achievement has changed in the schools that are led by New Leaders residents and by New Leaders fellows.”

—Weiss

through a lot of growth ourselves over the last three years. I am the third board member to hold the NewSchools board seat. It started with Kim Smith and then we passed the baton to Lauren Dutton, who is another one of our partners at NewSchools. So our growth has caused what might be speed bumps for Jon in getting each of us up the learning curve.

Schnur: Although there have been very few real bumps. One of the important reasons for the health and the ease of the relationship was the due diligence on both sides at the front end. NewSchools was screening and making decisions about whether they wanted to fund New Leaders, and we were making decisions because of the high degree of engagement about whether these were good partners for us. Some of the toughest discussions were in the diligence process. Once we got through those, there was real clarity of shared goals. I would say that one of the areas of discussion—and in some cases tension or disagreement—is the growth strategy and how fast we ought to grow. The Broad Foundation is our leading funder at this point and helped create relationships in school districts. It is supportive of the fastest growth possible, yet it understands that we need to do it in a way that achieves quality.

Moderator: How do other funders react to an organization that was incubated and grown through this high-engagement approach?

Schnur: Already a few funders have joined in because it helped give us some credibility. If NewSchools Venture Funds and New Profit and the Broad Foundation and the Chicago Public Education Funds are all backing this—very visible funders in the education and the nonprofit worlds—and they are on the board, then other funders don't have to worry so much about scrutinizing this grant because the original funders' reputations are on the line, too. For example, I think it made it much easier for us to get the Noyce Foundation to be supportive because of the NewSchools involvement. We have funders in DC that have gotten engaged because they knew of New Profit. We have gone from having three

funders to having 20-some.

Kirsch: I want to emphasize our commitment over time because I hear about so many funders that come in for one to three years then say, "You are on your own." New Leaders is such a massive idea. And this is a start-up, so it's going to take a while. They need the time. They have been able to accomplish what they have been able to accomplish because they are not spending 50 percent, 80 percent, or 90 percent of their time fundraising. If that were to happen in the next two or three years, New Leaders would be sunk. It is important to have a sense of the reality of what it takes to grow an organization at the speed they are growing. It is important to have on the table that this is a long-term investment. They will need runway capital for a while.

Schnur: One other thing: It has been very important to have the general operating funds from NewSchools Venture Funds, New Profit, the Broad Foundation, and others. What we now have is most of our administrative costs and overhead and general operations all covered at least for the next couple of years. To get to the scale we want by 2006—a 300-person principal corps in the schools serving 160,000 kids in a high quality way—we need to raise roughly \$21 million over the next three years, and we have a little over 40 percent of that raised already. It makes it easier to say to potential funders that we have highly engaged funders, and you can sponsor individual fellowships. For \$40,000, you can sponsor somebody in your city to become a principal of a school. That kind of funding is easier to get than infrastructure funding.

Moderator: Joanne, you mentioned the changing personnel and the growth of your organization. What are some of the lessons there in how you handle continuity?

Weiss: One thing that is good about NewSchools is that even though we are small and we bump into each other in the halls, we are a writing-oriented culture. We have invested in a knowledge management system that allows us to store and organize all of our information

in a coherent, accessible way. In our knowledge management system we have a section for each of our portfolio organizations. I can go back and see five years' worth of business plans, correspondence between the organizations, and board meeting packets. We hope that the net effect is twofold: that it will allow us to grow without having as much impact on our portfolio organizations, and that it will allow us ultimately to share a lot of lessons learned with the field because we have them organized in a coherent fashion that is easy to mine.

The other thing is that we try to hire people at NewSchools who know the business of education and are experienced themselves. One of the very big benefits for us of focusing on education as a sector is that we can bring industry and domain expertise to our ventures. Separate from ever having met New Leaders, I had been working in education for some 20-odd years and knew the space, knew the landscape, understood the policy issues. To be a partner at NewSchools, we have to have been education entrepreneurs ourselves; we have to have built and grown organizations in education. We have a specific focus and that gives us a baseline of knowledge before we walk into any organization. There is a really steep learning curve in education, and if our CEOs had to pull us up that learning curve, we would be of no benefit to them for a long time.

Schnur: The fact that she brings that expertise in building organizations to the table makes me want to spend time in meetings talking with her because it is a real benefit.

Moderator: Going forward, talk about the vision of New Leaders. How do you see staying with these relationships and growing beyond them?

Schnur: The future of New Leaders is the future we are trying to build together. We want to foster high academic achievement for a million kids annually in 2,000 schools by 2012 and to catalyze dramatic change in urban public education around leadership and beyond that. We have a ton of work to do in building our organization,

in taking aspects of our program that work on a small scale and figuring out how to build the systems and processes and metrics and people and teams to take it to scale in a quality way. We have partnerships that we need to broaden in both the public and private sectors. We have to help support a community of like-minded, talented individuals who are leading schools. We do have to execute our financial plan for the next two or three years and build a financial sustainability plan beyond that. We need to attract and retain team members and build our management structure in a way that supports that growth plan and ultimately to achieve results for kids and schools.

The challenges are immense, and I hope we will continue to have this kind of relationship with each of these highly engaged funders until we accomplish those goals. I hope we can sit around a table in 2012 and say here is how we achieved our plan and here is where we have missed and here is how we are going to adapt for the future. I hope we do that reflecting on 10 or 12 years of experience together.

Moderator: Do you have any recommendations for other nonprofit leaders who are considering this type of relationship?

Schnur: It is important to reiterate how crucial it is to enter these relationships with eyes wide open. This has gone very well so far because of the groundwork that we did together.

The only thing that would be extremely helpful to us with New Profit, NewSchools, and others would be if funders would develop more expertise, either on staff or by contract, in rigorous evaluation of outcomes in the education world for schools and for kids. We are building that, and we are going to have a good evaluation, but it does seem like there is a lot of re-creating the wheel. These funders could play a role by acquiring that expertise and helping share that with nonprofits working in the space.

Weiss: We are working on bringing more capacity to the question of doing impact

evaluation, both for NewSchools' benefit and for that of our portfolio organizations. The challenge is, how does each organization measure its impact, and how do we at NewSchools measure our impact across all of our organizations? The whole field is still weak in this area—I agree with Jon. It needs focus from all of us.

Kirsch: One of the exciting things that is coming out of our work with NewSchools and other organizations is the beginning of a real knowledge base about issues that we all struggle with, like measuring impact, connecting social impact with growth planning, and growing impact as well as size in sustainable ways. But there is a long way to go.

Moderator: On your balanced scorecard, I assume you have defined outcomes that you are looking to achieve.

Schnur: Yes. Each of these funders has, as we have, insisted on rigorous evaluation of success of schools and kids.

Weiss: Jon has clear metrics. He has process metrics, such as how many people are we training and placing, and are they getting good jobs as principals in our target districts—so there are those process ways of measuring outcomes. And then there are outcomes themselves, such as how student achievement has changed in the schools that are led by New Leaders residents and by New Leaders fellows. Members of New Leaders' first class of fellows have just finished their first year as principals, so the data are just coming in right now for the first year.

Moderator: So you are testing the model now?

Weiss: Yes. Jon and his team have set the metrics to match the mission of the organization, but the data are still to come; ask us how it went two or three years from now.

Schnur: We can give lots of updates on the way. We do expect to see better academic achievement in reading, writing, math, and other areas. We are working with people to develop a broader set of indicators around the health and success

of the school. Leading indicators of success might include a level of trust among the teachers, students, and parents in the school, and shared understanding among faculty about the school's academic standards. We believe that test scores do matter. We think that to see enduring improvements, you need to look over three years, not just one. Test scores are important, but they are not the only measure of success.

Moderator: Talk about the future. What do you see as your contribution to New Leaders' growth?

Smith: I definitely see us staying involved with them through a few more cycles. New Leaders needs to be larger and to have more success data to show that its theory of change really works. It takes time to get organizations off the ground. Then it takes time to have the impact on kids. So it still has a few more cycles to go before they can sit down with the president of a few universities and say, "You should be doing things differently. Look at the proof we have that this works."

I don't think, given the type of change they are trying to make, that it makes sense to force them to become totally self-sustained on a fee-for-service basis because their customer might sometimes be the very institutions they are trying to change. Fee-for-service should provide some percentage of income, but New Leaders also has a strong strategy around local fundraising. At some point, as its revenues grow, it may make sense for us to exit and for them to be working with their local funders. But we don't have a nice clean, crisp exit strategy yet.

Weiss: One of the unexpected things—and the magnitude of it has shocked me—is the catalytic impact that New Leaders has had on the system. DC Public Schools came in last year to the city competition and Baltimore Public Schools' top officials were calling New Leaders the expert in leadership training. I'm sitting there thinking, "New Leaders is two years old. Are you kidding? You think they are the experts?" But it is true that they have developed an incredible expertise in this area and that school districts are looking

for expertise.

One of the dangers is that New Leaders is not going to be able to survive its own success because it is spawning tremendous competition within these large districts, some of which are starting their own leadership initiatives. On one hand New Leaders is building a model that others can copy, which is wonderful. But the catalytic impact is sometimes so earthshaking that you wonder whether New Leaders will survive the earthquake.

Schnur: We are not the only ones causing this, but we are one important force. We spent months in the fall sharing our work with New York City and Joel Klein, and we are thrilled he has made leadership recruitment and development a centerpiece of his agenda. He has also created a leadership academy based in significant part on our model.

In Chicago they are doing some similar work, and some other cities are looking at it. The federal government passed the No Child Left Behind Act, and it included a section that created a national school leadership program, which gives funding to districts and nonprofits recruiting and training principals in high-need urban and rural schools. Districts across the country,

the federal government, and the states are focusing much more now on leadership as a key lever to drive change, and that is terrific. The question for us, as districts embrace this, is what is the role for New Leaders?

Weiss: And how do you work together? Do you co-exist? So even if you can come up with good answers to those questions, which I think you can, it is a whole new level of investment and thinking and strategizing that none of us had planned for, especially not this early in the process.

Moderator: What have been some of the key lessons you've gained?

Smith: One lesson is, it is very important to have open and constructive communication. Jon created a culture in which people could ask him tough questions and engage in the dialogue. He did not come to the table, as some folks will do with funders, feeling as if he had to have all the answers in hand. In turn, the three funders came to the table truly committed to trying to do what is necessary to help Jon be successful. It was a very good kind of ecosystem; everyone's individual success depended on our collective success.

If you are truly aligned in what you are

trying to achieve, it gives you more maneuvering room on how to go about it. Be explicit on the milestones and what people need to achieve to reach the funding targets.

I don't think Jon ever felt like what we were asking of him was some external burden he had to do to meet some arbitrary requirement on our part. I believe he felt that what we were asking for was what he needed to do anyway to be successful. That is important because if you are working as an engaged funder with someone, and you are asking someone to do a strategic plan, or different version of financials, or plan for growth, or build some systems, or whatever it is, and they feel like what you are asking them to do is arbitrary make-work, that is a recipe for failure. If you and they truly believe you are trying to build the same thing, then having those different perspectives at the table makes the whole venture stronger and better.

Kirsch: As we have lived the challenges of execution, as funders, board members, and champions of New Leaders's vision, we have learned that it is important to go slow to go fast. At times Jon has come to us and asked to slow down. Other times, we have, as a board, encouraged him to

On Impact of the Model

“We think it's possible that New Leaders will actually have a bigger catalytic impact than direct impact. What New Leaders is doing to change the way the system thinks about the issue of leadership is potentially a bigger win even than the one million children whom New Leaders principals will someday be leading.”

—Weiss

“We have reached an agreement with [Washington,] DC that provides high-performing principals the ability, by contract, to get far broader latitude of decision-making in schools, giving them more control over the hiring of staff based on merit, not seniority....That is a landmark agreement in the country.”

—Schnur

“And it extends to all high-performing principals in the District [of Columbia], not just to the New Leaders principals, so it is an example of how you can change the whole system by being a small part of it.”

—Weiss

“One of the dangers is that New Leaders is not going to be able to survive its own success because it is spawning tremendous competition within these large districts, some of which are starting their own leadership initiatives.... the catalytic impact is sometimes so earthshaking that you wonder whether New Leaders will survive the earthquake.”

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“We spent months in the fall sharing our work with New York City and Joel Klein... He has also created a leadership academy based in significant part on our model.... Districts across the country, the federal government, and the states are focusing much more now on leadership as a key lever to drive change....The question for us, as districts embrace this, is what is the role for New Leaders?”

—Schnur

take more time to get the core model.

We have also learned that as important as it is to work closely with Jon, it is also important for us to cultivate relationships with other members of the management team, to support their development directly and indirectly as Jon himself matures as a leader. Now members of the New Profit team have relationships with all of the senior members of the New Leaders team, so we don't need to only go to Jon, and his team members find outside resources in their relationships with us.

Along similar lines, we believe that it is critical for organizations to have multiple high-engagement donors because they bring such different assets to the table. At New Profit, we have focused our energy with New Leaders mostly on strategy and capacity building, and this would have been much less effective without NewSchools and Broad bringing their expertise to the process. There are far too few examples of effective partnerships like the one we have experienced with New Leaders.

Finally, while we spent a lot of time in New Profit's earliest years thinking about how to apply the lessons of for-profit investment to philanthropy, we are also

now able to better define what doesn't translate directly. We've learned, for example, that when there are problems, we must go to the wall for organizations in our portfolio to support their ultimate success, and we've learned that we can do this because we have established the kind of relationships that makes it possible to step in quickly and smoothly. In reaching their hugely ambitious goals, it's easy for organizations to wobble, especially since there is so little allowance for building deep bench strength in this sector. New Profit has a higher tolerance for getting organizations back on track than for pulling out. There's a sense that we need to work through challenges with organizations—there's no capital market to take them on if we pull out. At times, high engagement in this sector means higher engagement than in the VC world.

Moderator: Kim, with NewSchools Venture Fund being five years old, how do you see venture philanthropy evolving?

Smith: I have learned both from my work at NewSchools and from my work with our venture capital supporters that what is important is the individual who is coming to the table. People acknowledge that on the entrepreneur side, but they rarely acknowledge that it matters who the

individual is on the investment side. Venture philanthropy as a model is totally meaningless if it doesn't have the right people executing it. When you look at the venture capital funds out there and which ones are great and which ones are not, it comes down to the individuals who are doing that work, which is why there is almost no turnover in the venture capital industry among the top tier funds. When you become a partner at a top tier fund, you stay there for the rest of your life. They are very careful whom they bring in, and they watch that person's success on building ventures over time. If you are good, you stay forever.

But the consequence is that a lot of the knowledge is residing in individual brains, and therefore venture capital is not a scalable business. Most of the venture capital firms are very small and don't pretend they're scalable. That creates a strange dynamic on the venture philanthropy side of the table. I take more of a traditional approach to what I mean by venture philanthropy. You look like a venture capital firm. You invest in an industry or a set of industries. You get expert at what it takes to be successful in those industries. You provide human capital, intellectual capital, and financial capital. That to me is venture philanthropy.

On Venture Philanthropy

“There is this value equation that social entrepreneurs need to think about when they consider working with an engaged philanthropist. It is not merely the cost of the time... doing the planning. It is the benefits of the dollar they give me, the benefits of the connections they give me, the benefits of the strategy assistance they give me...it is a heavy cost to entrepreneurs in the early part when they are working on their plan and feeling like they have to do so much work to get this money—and it probably isn't all that much money.... It is harder on the entrepreneur in the short run but over the long run, the entrepreneur has to feel like it's worth it.”

—Smith

“There's a sense that we need to work through challenges with organizations—there's no capital market to take them on if we pull out. At times, high engagement in this sector means higher engagement than in the VC world.”

—Kirsch

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There are many other ways to do engaged philanthropy, which is great, but if you are doing venture philanthropy, it's important who the individuals at the table are and what experience they bring.

Having spent 15 years in the education space, I sometimes got frustrated about the way the conversations were going early in this field because it seemed like it was all about the businesses that were coming in to fix the nonprofit sector. We have been very clear from the very beginning; culturally we are staffing our organization with people who are experienced education entrepreneurs. We were heavily influenced by our Kleiner Perkins founding donors, because at Kleiner Perkins the partners have all been experienced

entrepreneurs, too. So there is this cultural belief for them and for us that you are a better investor if you have been an entrepreneur.

The second piece we believe is these industries are complicated, and it is difficult to do a good job across industries. Environmental change, health care, human services, education, technology infrastructure, these are very different kinds of industries. By focusing and getting really smart in your space, you will add better value to your ventures.

Finally, we believe that solutions need to combine the best thinking from the public sector, nonprofit sector, and business sector. It is a good thing to have business

people at the table, but that is only one piece of the solution. Educators, public sector, and nonprofit folks have to be there, too, with the same amount of respect and influence because the different sectors have different things to offer. No one has the whole answer, so the more we can be aware of this and help to build bridges across sectors, the more successful we will all be.

The Participants

Vanessa Kirsch is the president and founder of New Profit Inc (NPI). Kirsch has 14 years' experience developing innovative solutions to social problems and is widely recognized as a leading social entrepreneur. Before launching NPI, Kirsch founded and led two nonprofit organizations, Public Allies and the Women's Information Network. Public Allies, a national service program based in Washington, DC, grew to six cities under Kirsch's leadership and was named by the Bush administration as one of eight model national service programs in America and by the Clinton administration as an official AmeriCorps national service model. Before launching these entrepreneurial organizations, Kirsch worked closely with Peter Hart of Peter D. Hart Research Associates, a polling firm, and played a key role in several projects, including a study on young people's civic attitudes.

Kirsch has received numerous public service awards. Currently, she serves on the Tufts Advisory Board to the University College of Citizenship and Public Service and on the boards of Jumpstart and New Leaders for New Schools. Kirsch is a graduate of Tufts University, where she served as a student member on the Board of Trustees and currently serves on the Alumni Council.

Jon Schnur is the co-founder and chief executive officer of New Leaders for New Schools. Schnur was a policy advisor on K-12 education in the Clinton administration for seven years, serving as White House Associate Director for Educational Policy, Vice President Gore's senior policy advisor on education, and special assistant to US Secretary of Education Richard Riley. Schnur spearheaded the development of many educational policies in such areas as teacher recruitment and training, after-school programs, school reform, and charter schools. Four years ago, Schnur spent several months at Harvard designing the business plan for New Leaders for New Schools while taking coursework at the Harvard Graduate School of Education, the Harvard Business School, and the John F. Kennedy School of Government. Schnur graduated from Princeton University cum laude in 1989 and from a public high school near Milwaukee, Wisconsin in 1984.

Kim Smith is co-founder and chief executive officer of NewSchools Venture Fund, which she established in 1998 with technology venture capitalists and entrepreneurs to improve public education by investing in education entrepreneurs. Smith began her career as a consultant specializing in business-education partnerships. In 1989, she became a founding team member of Teach For America (TFA). She then put her TFA experience to work in the post of founding director of BAYAC AmeriCorps, a consortium of 20 nonprofits serving youth across six San Francisco Bay Area counties and working together to develop young leaders in education.

Smith's background includes marketing experience with Silicon Graphics' Education Industry Group, where she focused on the online learning industry. She was also founding director of a trade show venture. She holds a bachelor's degree in political science and psychology from Columbia College and an MBA from the Stanford Graduate School of Business. She is a member of the 2002 Class of Henry Crown Fellows of the Aspen Institute.

Joanne Weiss is the managing partner at NewSchools Venture Fund. Before joining NewSchools, Weiss was chief executive officer of Claria Corporation, an e-services recruiting firm that helped emerging-growth companies build their teams quickly and well. Before her tenure at Claria, Weiss spent 20 years in the design, development, and marketing of technology-based products and services for education. She was senior vice president of product development at Pensare, an e-learning company that created business innovation programs for the Fortune 500 market. Before Pensare, Weiss was co-founder, interim CEO, and vice president of products and technologies at Academic Systems, a company that helps hundreds of thousands of college students prepare for college-level work in mathematics and English.

In the early 1990s, Weiss was executive vice president of business operations at Wasatch Education Systems, where she led the product development, customer service, and operations organizations for this K-12 educational technology company. She began her career as vice president of education research and development at Wicat Systems, where she was responsible for the development of nearly 100 multimedia curriculum products for K-12 schools. She holds a degree in biochemistry from Princeton University.