The Bridgespan Group

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The Fulfillment Fund

Managing programmatic growth

Summary

Over the years, the Los Angeles-based Fulfillment Fund has received extensive support from individual donors, frequently relying on relationships with locally-based major studios and celebrities. The organization initially grew by adding programs to address students' unmet needs. The Fund's subsequent decision to double the number of students it served sparked an organizational transition that posed some unexpected management challenges. The organization now is working to diversify its funding, to formalize internal systems and processes, and to step up its performance measurement efforts to satisfy a new base of funders.

Organizational snapshot

Organization: The Fulfillment Fund

Year founded: 1977

Headquarters: Los Angeles, California

Mission: "To support the education of students, some of whom have disabilities, who have been traditionally underserved by public schools and underrepresented in higher education. Most of the Fund's 3,000 students are low-income, ethnic minorities and are usually the first in their families to go to college. The Fund's goal is to help these students graduate from high school, complete an advanced education, access opportunities beyond their current reach, and become productive and contributing members of their community."

Program: The Fulfillment Fund offers programming aligned with the organization's five priorities: high-school graduation; completion of post-secondary/college education; youth development; parent/guardian/family empowerment; and organization advancement and sustainability. The organization works with underserved and disadvantaged students from the poorest performing and most under-resourced public schools in the Los Angeles Unified School District (LAUSD). Ninety-eight percent of these students are low-income, ethnic minorities;

they usually will be the first in their families to graduate high school and to go to college, and they tend to fall in the "academic middle." The Fund offers these students a comprehensive menu of interrelated services, encapsulated in three main programs. The Mentor Program provides 350 students with two to five years of one-on-one mentoring to help students reach their full potential. Mentors supported by case managers provide academic support, friendship, improved access to post-secondary education and career opportunities. The Fund also provides these mentoring services to disabled youth through the Teen Access Program. The College Pathways Project provides five years of education enrichment and early college outreach through weekly classroom sessions for 2,000 middle- and high-school students, and also includes parent education workshops, volunteer opportunities, and local and nationwide college visits. The College Counseling Program provides students with an individualized college plan and financial aid counseling, workshops, college site visits, and resources to help prepare for the college admission process and the transition from high school to college. All Fund graduates are eligible to receive a $5,000 college scholarship as well as career counseling, educational workshops, and internships.

Size: $5.2 million in revenue; 50 FTEs (as of 2003).

Revenue growth rate: Compound annual growth rate (1999-2003): 9 percent; highest annual growth rate (1999-2003): 75 percent in 2002.

Funding sources: In 2003, individuals provided 55 percent of total revenue, corporations 25 percent, foundations 17 percent, and government 3 percent.

Organizational structure: The Fulfillment Fund is an independent 501(c)(3). It is beginning to consider national expansion.

Leadership: Andrea Cockrum, chief executive officer and organization's first staff member; Gary Gitnick, M.D., founder and board chairman.

More information: www.fulfillmentfund.org

Key Milestones

- 1973: Gitnick hosted his first holiday party for severely disabled children
- 1977: Incorporated as a nonprofit organization
- Mid-1980s: Expanded to include able-bodied students
- 1992: Started the Mentor Program
- Early-1990s: Began adding more paid professional staff
- 1997: Created an alumni program
- 1998: Began collecting outcomes data
- 2000: Established a plan to double the number of students served
- 2001: Brought in vice presidents of programs and development
- 2002: Created a parents program
- 2003: Brought in a chief operating officer

Growth Story

The Fulfillment Fund started with a holiday party. In 1973, gastroenterologist Gary Gitnick decided to replace his staff's annual end-of-the-year holiday party with a party for physically disabled children. A career day and leadership camp were added to the holiday event, all volunteer-run, with the goal of challenging young people to rise above their disabilities and set high goals. The Fulfillment Fund incorporated as a nonprofit organization in 1977.

The Fulfillment Fund enlarged its mission in the mid-1980s to include able-bodied students who public schools recognized as having considerable potential for future success, but who were unlikely to realize this potential without additional community support. The organization began giving out 100 college scholarships of $500 each year, as well as to host motivational events at which disadvantaged students could hear successful adults talk about how they overcame obstacles. One-on-one, mentors worked with younger students to encourage them to stay in school and to pursue a college education.

By 1990, the Fund had become the largest private donor of scholarships to students in the Los Angeles Unified School District. “We had a very close relationship with LAUSD and were highly endorsed by the superintendent, school board, and the principals,” says Cockrum. The organization was able to navigate the system early on by placing a former school principal and former school teacher in charge of the mentor program.

The organization grew organically, adding a medley of programs with the goal of reaching more and more children in need. “I brought in program staff and told them to develop programs that were best for the kids, and they did,” says Cockrum.

In 1992, the Fund began the Mentor Program in which Fund mentors work one-on-one with students for two to five years, providing sustained academic support, friendship, improved access to post-secondary education and career opportunities. This program tapped into the national trend toward mentoring. “We knew we wanted a mentor program, but we weren’t sure about the size,” says Cockrum. “The first year we brought in 200 students, the second year the same, and then we took a breath. We had 400 students with three staff people. That was a lot.”

The board also drove some of the growth, and they were given the flexibility to create their own programs. The idea for college counseling came from a board member with experience in the field. “She had done a paper on [the importance of college counseling], so we raised the money to bring in our college counselor in 1995,” says Cockrum.

The board was interested in reaching out to more young people. In 1996, the organization absorbed College Marketplace, an existing community program going through a transition. College Marketplace ran college prep classes in East Los Angeles public schools. Its leader initially approached the Fulfillment Fund about a partnership, but within a short period of time College Marketplace dissolved. The Fund developed the College Marketplace program into the College Pathways Project, a program that now provides five years of education enrichment and early college outreach through weekly classroom sessions for middle- and high-school students.

In 1997, the Fund created an alumni program in response to Dr. Gitnick's goal that every graduate of the program go on to mentor three kids. Mireya Saldana was the first alum of the Fund to be hired as a staff member, and she now runs the alumni program. And in 2002, the organization created the Parent Leadership Program to give parents a better understanding of the college-going process, so they could help their children complete high school, gain admission to a college or university, and succeed during college.

Funding was another growth driver. Founder Dr. Gitnick was able to translate his many relationships with community and entertainment industry leaders into significant sources of funding for the organization. "The organization was able to grow because he raised significant funds from and through these relationships," says Carol Dedrich, vice president of development, special events and communications.

The board continued to support growth, backing a plan in 2000 to double the number of students served. "The board always wanted us to work with more and more kids," says Cockrum. To help guide this growth, the Fund's programs department initiated a comprehensive review of its activities and developed a logic model.

In the midst of this program review, the organization started restructuring, adding a layer of vice presidents (of general administration, programs, and development) to support the CEO. And in 2003, COO Lise Luttgens was added to the executive team and she instituted a round of goal setting, internal infrastructure development, and performance assessments.

The program review led to five key organizational priorities. Each program area is currently assessing the programs and services they provide for fit and effectiveness within these priorities. According to Luttgens, "The largest challenge has been the transition that this organization is making to grow from an 'entrepreneurial-type' to a 'professionally-managed type' of organization."

Recent efforts to diversify the funding base have elevated the importance of outcomes data. The Fund began collecting outcomes data in 1998. “I wish we had data earlier because that’s the first thing that funders are going to want — significant outcomes,” says Cockrum. Dr. Phaizon Wood, vice president of programs, adds, “This [increased focus on outcomes] requires a completely different orientation to one’s work by thinking more in terms of outcomes as a driver, rather than of the activities we engage in to achieve those outcomes.”

CONFIGURATION

The Fulfillment Fund is an independent 501(c)(3) organization. While it currently is a single-site organization based in Los Angeles, it is beginning to consider national expansion. The organization has waited a long time to expand, because it has focused on increasing its penetration of the Los Angeles area where the need remains considerable.

Much of the impetus for national expansion has come from the vision of Dr. Gitnick. “We have huge momentum from our founder,” says Cockrum. “He’d like to see a Fulfillment Fund in every city.” The organization recently received a $500,000 multi-year grant from the Skirball Foundation to begin an outreach initiative to export the Fund’s expertise to other communities.

The board, however, is split over the move. Half the board wants to see the organization keep growing, while the other half wants to see the organization take a breath before going forward. “There’s a lot of energy and electricity on this issue because there’s a group that wants to make sure the ‘mother ship’ is healthy before we take off,” says Cockrum. “They think we need to focus more on serving the needs in L.A. and stabilizing the budget before expanding the resource base into outlying communities.”

The Fulfillment Fund has brought on consultants to help it collect data necessary to make the expansion decision. So far they have created a strategic business plan for successful expansion and researched revenue models. Partly based on this research, management has set its sights on a location with attractive prospects. “Right now we are looking at Santa Ana in Orange County [Southern California].

One of our donors is very interested in setting up a Fulfillment Fund there, so we feel confident that the philanthropic aspect of the plan will be successful," says Cockrum.

Cockrum is struggling with the tradeoff between wanting to see the program in more places quickly and knowing that accommodating this organizationally will be challenging. Issues of control and branding are being debated. At this point, the plan is to increase the Fund's presence into one market per year for the next five years.

CAPITAL

Since its founding, the Fulfillment Fund has been heavily dependent on special events for support, as well as on long term personal relationships with individuals in the entertainment industry. Dr. Gitnick is well connected to the entertainment community, and has been able to translate those connections into substantial donations. Each of the Fulfillment Fund's board members personally gives or brings in a minimum of $25,000, and they help the organization to network with other large donors.

The Fulfillment Fund's approach to financing the organization's growth was relatively straightforward. "We just knew every year that we had a budget, and that through our fundraising, individual gifts, and events that we'd meet the budget," says Cockrum. This strategy depends on the Fund's location in Los Angeles, where it is able to bring celebrities to fundraising events. "Celebrities don't necessarily give money," she says. "Having celebrities associated with the Fund motivates others to give; but this takes a lot of time and effort to cultivate and manage."

The attention on celebrities and gala events does make it harder to get significant support from foundations, which tend to focus on an organization's track record, financial ratios, and outcomes. "If it weren't for [the entertainment industry] we wouldn't be here today, but we don't want to be thought of as an organization supported solely by the entertainment industry," says Cockrum.

When Dedrich came on board as vice president of development in 2003, she spearheaded a move to expand the Fund's efforts to secure funding sources outside the entertainment industry. "After we secure the organization with a diversified funding strategy, our next objective — in the very near future — is to build the endowment," notes Cockrum. Dedrich adds, "The organization started building an endowment in 2002 but with the significant growth that we experienced over the last three years, meeting the increased budgetary needs required us to de-emphasize our endowment-building efforts." Cockrum continues, "We need to know that there is consistent support coming in on an annual basis."

The organization has taken some government money in the past, but the government's demands were too cumbersome and restricting for the organization. "I think we've been attractive to the private sector because we didn't receive government funding," adds Cockrum. "We've been able to be entrepreneurial. I don't want to build a program and not know where the money is going to come from in the future. I think that's not fair to kids — we want to be able to make a 10-year commitment to our students, and as long as we can get the money from the private sector that's our preference."

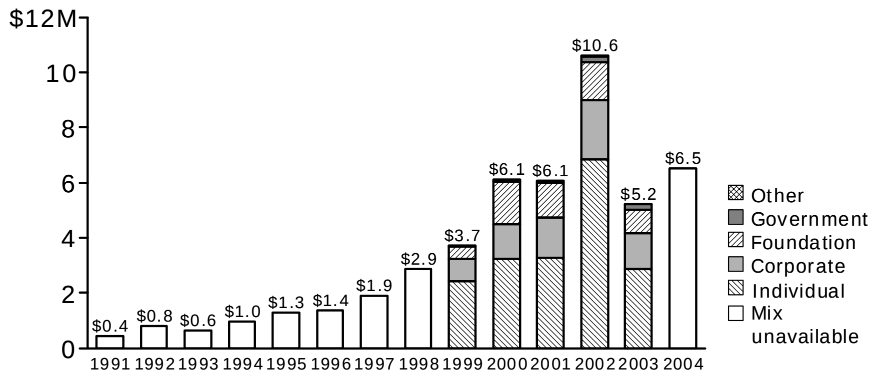
To help the Fund meet the goal set in 2000 of doubling the number of students it served, the board launched a 25th Anniversary Campaign in 2002 to raise $25 million for operations and $25 million in endowed or planned gifts. The one-year campaign succeeded in securing several large multi-year pledges. The Fund also held a 25th Anniversary STARS Gala, raising over $3 million — $1million more than it had in any previous year. These fundraising successes combined with an accrual accounting system whereby the total amount of the pledges were counted in 2002 resulted in a spike in revenues in 2002, as revenues topped $10 million. (See Figure 1 for the Fulfillment Fund's revenues over time)

The flip side of this extraordinary fundraising success in 2002 was that the Fund lost momentum in 2003, having exhausted its list of existing donors. Gala revenue dropped from over $3 million to under $1.7 million. Changes associated with staff turnover also had a negative impact on fundraising performance and results in 2003. Compounding these difficulties, the Fund began restructuring its board –

which had always played an active role in fundraising – and transitioning the board's leadership.

Figure 1

Fulfillment Fund revenue



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Annual revenue growth		78%	-21%	55%	32%	6%	39%	51%	30%	65%	-1%	75%	-51%	25%
Budget surplus (deficit) ($M)									N/A	$2.0	-$0.4	$2.3	-$1.2	N/A

Source: Organization internal data

"We had set an ambitious expectation for growth," says Wood, "and we had not fully anticipated the challenges that come with nearly doubling staff size in three years. I think the lesson learned would be to aim for a growth trajectory that's much less steep."

Special events like the annual STARS celebrity gala are still important to the Fund, accounting for approximately 35 percent of the organization's revenue. Up until two years ago, events represented between 50 percent and 100 percent of the budget. "This organization was heavily dependent on event fundraising," says Dedrich. "Event fundraising has several risky components, including depressed results during poor economic times, highly personalized marketing demands and possible last minute honoree changes that have significant revenue and cost implications. The organization was dependent on STARS, and that can be a problematic way of doing business." Dedrich recently developed a diversified funding strategy that includes fundraising from four main areas: individuals, foundations, corporations and events. She assigned separate staff members to head up each of these four revenue categories and increased the emphasis on marketing the Fund with consistent communications, both internally and externally.

On the corporate side, strategic partners now include Wells Fargo, AIG-Sun America, Boeing, Ameriquest, Capital Group, and Credit Suisse First Boston. “Corporate partnerships with the studios have been the cornerstone of support for our gala,” says Dedrich. “Everyone wants to be at our event because everyone wants to be in the room with the other studio players.” Entertainment corporate partners include Ares Management, New Regency Productions, Apollo Management, Newscorp, Viacom and NBC Universal. The Fund has also started receiving significant support from several large foundations which include the Conrad N. Hilton Foundation, Lumina Foundation and Ahmanson Foundation.”

CAPABILITIES

The Fulfillment Fund added staff as it grew, but in recent years the organization has undergone significant changes on all levels, especially to its senior management team. During the early years of the organization, program staff were the priority. “For years, none of us took any salary,” says Cockrum. “[We hired] people who just really cared about young people, who had a passion, and who got programs up and running as they were needed and as funding was identified.” But by the early 1990s, the organization felt the need to add more paid professionals, such as a social worker, a college counselor, and a director for the Mentor Program, to deliver increasingly complex youth programs.

Cockrum thought the program staff was well developed, but she still wasn’t satisfied with the administration. “There was no money and I was doing everything,” she says. “I was managing the staff, cultivating the board, managing the money. I realized the organization needed professional managers to lead and educate staff in all departments. I knew my strengths were the ability to raise money and build and manage our board. It was the smartest thing to do for the Fund going forward.” She misses some aspects of her job during the organization’s early days, though. “When you’re a new organization, you’re a generalist. It was more fun. The hardest thing was as we grew and added infrastructure, being separated out as the CEO in a position of authority rather than just being the person that loves doing this for the kids. You realize that when you walk into the building, everyone knows that the CEO is in the building instead of Andrea is at work. It's hard to make that transition."

In the late 1990s, the organization reached a stage of growth and complexity in which it needed a layer of senior-level management to run programs. Cockrum brought in vice presidents of general administration and development in 2000 and Dr. Phaizon Wood as vice president of programs in 2001. "[Wood] has brought great depth to the organization, creating partnerships with outside professional organizations like the University of Southern California," says Cockrum. "Previously I didn't focus on external networking in the academic realm, which Phaizon has."

While there had been a development presence at the Fund since 2000, in mid-2003, Vice President of Development Carol Dedrich was brought on to enhance the strategic direction of the organization's fundraising and marketing activities. Dedrich has brought energy and leadership to the Fund, focusing on recruiting top talent with new perspectives and on building a team of cohesive professionals.

Dedrich developed an effective way to share development responsibilities with Cockrum. "I understood how difficult it can be to give history, relationships, and a past to a new person — to entrust all of that," Dedrich says. "This is a personal relationship. Having that understanding and presenting that on a consistent basis was important." She also has forged a strong partnership with Dr. Wood and the programs staff. "Developing a strong working relationship between the development staff and the programs staff was one of my top priorities. These relationships are critical to having a successful fundraising effort."

Cockrum decided in late 2002 to turn the day to day operations over to a single individual and fundamentally change the structure of three vice presidents who where at the time reporting directly to her. She wanted to free herself up from the internal operations so that she could concentrate on financially securing the organization for the future. In early 2003 Cockrum restructured the organization, laying off two of the three vice presidents and bringing in Chief Operating Officer Lise Luttgens.

Luttgens undertook a 100-day audit of all departments and staff, focusing on improving communications, establishing clarity of direction, making decisions based on data, and strengthening relationships between all departments. Within the first year, she worked with the new team of vice presidents to identify and articulate five key priorities for the Fund: high-school graduation; completion of post-secondary/college education; youth development; parent/guardian/family empowerment; and organization advancement and sustainability. She built a new team of support services managers in finance, human resources and IT; set individual and departmental goals and linked them to a performance-planning tool; and developed new budgets with more input from managers and with increased accountability.

“When I first got here,” Luttgens describes, “I interviewed every staff member and asked them what they felt needed to be addressed to increase the effectiveness of the organization. I heard lot of confusion about the direction of the organization and a stated desire for more communication from management,” says Luttgens. There were many informal and unstructured relationships and opinions expressed which drove some of the management decisions. My job early on was to establish systems and processes for moving the organization forward that everyone could relate to and use.”

The transition of reporting lines from the CEO to the COO was a key challenge. “It was so clear to me that I needed to focus on fundraising and building the board,” Cockrum says. “So [Luttgens] had a mandate coming in that everything day-to-day was her responsibility. I don’t interfere with that at all, and my role is with the board. But [staff] have been accustomed to the connection with me, and losing it has been very difficult in the transition. They want to be linked to the person who brought them in.”

Staff turnover continues to be a critical concern for the Fund. Each year for the past three years, there has been a 40 percent or higher turnover rate. The changing culture has been difficult for staff, compounded by the absence of salary increases in 2003 due to the budget deficit. “I see a lot of organizational energy being put into how people or departments behave, who has certain space, titles, or resources. In the economic environment where we've had to do without things [like staff training, salary increases, adequate space to conduct a private conversation], the smaller issues take on great significance and emotion," says Luttgens.

The board has had some trouble adjusting to all the changes, as well. It has also questioned the high salaries of some of the administrative staff. Cockrum defends the salaries of the highest paid senior managers: "You don't want to create a morale problem by having top-heavy management, but it takes real skills and talent for this, which comes at a premium."

"For donors, when we add senior staff they look at why it's going to overhead and not program," says Cockrum. "We have not been able to give merit increases or [cost of living adjustments] for the last two years because our revenue base was not as strong as we'd projected and we had a large deficit."

Over the years, Cockrum has deliberately transitioned the board from a program focus, with mostly Los Angeles Unified School District (LAUSD) people, to a fundraising board, with largely big-name corporate executives and entertainment executives. "The model was that I was going to bring the network of program people to the staff and the board would bring the network of philanthropists," she says.

Dr. Gitnick has remained chairman of the board; he meets with Cockrum weekly and remains heavily involved in fundraising. The Fund also has a separate board president, in part so that other board members feel a sense of ownership. "This organization has to live beyond us," Cockrum says.

The next stage weighs heavy on Cockrum's mind. "What will happen when I leave the organization?" she asks. "I want to be sure the organization can survive and thrive beyond Dr.Gitnick's and my leadership. I figure it's better to make those hard transitions now to strengthen the organization and create a new culture rather than to wait until I'm gone. I've hired almost half the staff who are here. I can let go as long as everything is okay. But the amount of change in the organization has been significant."

Key insights

- **Growing strategically.** The Fulfillment Fund initially grew by adding programs that were responsive to the needs of the population they serve, with the availability of funding driving much of that growth. This program growth kept the board and staff focused on innovation, and allowed the organization to improve the lives of more youth with a richer array of programs. But the Fund initiated that growth without an explicit strategy for managing the rate of growth and the impact that increased capacity would have on the organization's climate, its systems and its management processes.

- **Diversifying the revenue base.** The organization funded its growth through events and individual donors, frequently relying on relationships with major studios and celebrities. This offered the Fund a strong funding base, but also has burdened the organization with high fundraising costs. This reliance on a local individual fundraising base also brings into question how the organization can fund geographic expansion.

- **Measuring early.** As it diversified its funding base away from events, the organization learned the value of collecting a rich amount of data about outcomes. Although the Fund is 27 years old, and the current programs have been in operation less than 12 years, the Fund's management team wishes a performance measurement system had been put in place earlier, as integrating database systems in the midst of growth has been challenging.

- **Professionalizing the organization.** The Fulfillment Fund has worked to enhance operations and to push decision-making throughout the organization, especially with the addition of a new chief operating officer and senior leadership team. However, many staff have felt the change was too threatening, the added formality too complicated, and the challenges associated with adding a layer of management too much to bear. Staff now have more information and accountability than ever before, leading to additional pressure to perform.