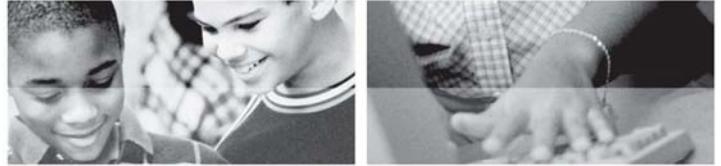


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A CASE STUDY IN VENTURE BUILDING

**NewSchools Venture Fund's Work
With New Leaders for New Schools**

Fall 2004

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INTRODUCTION

NewSchools Venture Fund was founded on the belief that entrepreneurs can be crucial change agents in fueling the transformation of the public school system into a system that provides *all* children – especially those currently underserved – with a high-quality public education. But in order to turn their visions into reality, these entrepreneurs need both financial and strategic support from experienced people who have created and built new organizations before. With extensive expertise in developing new education organizations, NewSchools takes a venture capital approach to support education entrepreneurs: providing them with capital and guidance to ensure that their ventures become strong organizations. This paper will illustrate how this “venture building” happens, stage by stage, using NewSchools’ work with one of its portfolio organizations, New Leaders for New Schools, to illustrate the crucial support entrepreneurs need as they start and scale up operations for new organizations.

NewSchools’ work begins with assessment and deep analysis of the key strategic areas for entrepreneurial leverage in public education. Then, the team performs in-depth due diligence to select the most promising entrepreneurs addressing those key areas to support. NewSchools works closely with the ventures that are chosen for support, guiding the executive team as it works to turn the entrepreneur’s vision into a scalable, sustainable organization with a measurable impact on student achievement and on the broader public education system.

This model has its roots in NewSchools’ creation. In 1998, prominent venture capitalists John Doerr and Brook Byers of Kleiner Perkins Caufield & Byers recruited social entrepreneur Kim Smith (then a graduate student at Stanford’s business school) to help them realize their vision for transforming public education: a nonprofit organization that would draw on venture capital principles to support education entrepreneurs. As successful practitioners of venture capital, Doerr and Byers had watched entrepreneurs inspire dramatic change and advancement in fields such as technology and biomedicine, and observed the role their own venture capital firm had played in accelerating and cementing that improvement.

NewSchools’ founders discovered that education entrepreneurs also needed that same sort of formative support in order to develop their own organizations. “Taking risks is an important part of trying to do something new,” says Brook Byers. “But as a venture capitalist or venture philanthropist, what you want to do is identify the risks you’re willing to take, and then work with the management team to reduce or eliminate them, one at a time – while also making as much progress as possible on the real goal or product.”

Like all experienced venture capitalists, though, NewSchools has learned that each venture is unique, with different growth trajectories, and requires varying levels and types of support along the way. As such, this case study is just one example of how a venture matures and how NewSchools helps to guide that growth.

BACKGROUND ON NEW LEADERS FOR NEW SCHOOLS

During his time as an education advisor to President Clinton in the late 1990s, Jonathan Schnur noticed that most of the high-performing public schools he visited had something important in common: excellent principals. These outstanding leaders were the primary difference between a mediocre school and one that really excelled, and were able to marshal all the school’s resources toward student achievement.

Schnur believed that there were two fundamental reasons why so many schools – especially those in underserved communities – lacked such leadership. First, he observed that the *supply* of principals was largely limited to former teachers who made their way through traditional education administration degree programs, which typically failed to select and train school leaders according to the unique combination of skills this complex job requires: instructional leadership, organizational leadership, communications savvy, and business expertise. And second, the *demand* for principals on the school side was skewed by the job description offered:

in many cases, school systems needed exceptional leadership performance and superhuman results without offering the authority or compensation to match.

As an entrepreneur, Schnur had a vision for changing the quality of leadership in these high-need public schools. He saw that the field of potential school leaders should be broadened beyond the traditional grounds – teachers and schools of education – to include qualified candidates from other sectors, including business and the military. Furthermore, they would need to be prepared in a way that was more hands-on and well-suited for complex leadership positions in high-need public schools. Then, these leaders would be placed in schools where they would have the decision-making authority they needed to ensure success among their students. Finally, these new leaders would receive ongoing support and feedback from the program's leaders and others in their cohort.

And so, in 1999, Schnur left Washington, D.C. to pursue a master's degree in education at Harvard, believing that this training would complement his policy background and help prepare him to launch this new entrepreneurial venture. In classes he took at Harvard's business school, Schnur met co-founders Ben Fenton, who would become chief operating officer, and Monique Burns, who would become chief curriculum officer. In the late spring of 2000, the three wrote a preliminary business plan for what would soon be called "New Leaders for New Schools." It became the first nonprofit plan ever to be selected as a finalist in Harvard Business School's annual business plan competition.

THE SEED STAGE

The "seed stage" for a new venture is a fragile stage in an organization's life. In this initial phase, when the entrepreneur's vision is just forming, disciplined decisions must be made in order to plant the seed of a viable organization.

During this stage, an entrepreneur is charged with two major tasks that sound simpler they are: defining the organization's purpose and then writing a business plan for the new organization. These activities require a great deal of thought, research, analysis and planning, which help to delineate what problem the venture will solve, how it will solve the problem better than others, what resources (both people and dollars) it will need, how it will obtain those resources, and how it will prioritize its many challenges.

NewSchools CEO Kim Smith met Schnur at a Harvard event on venture philanthropy in early 2000, when Schnur's idea was just a two-page concept paper. Smith was intrigued to see that the idea fit squarely into one of the emerging leverage areas that NewSchools believed was critical to student achievement in public education: the need for a strong supply of school leaders. Also, Smith believed that the team had the tenacity and "hybrid" skill set (with expertise from the education, business and policy sectors) to develop a promising organization.

Although the New Leaders for New Schools team wrote a business plan for the Harvard competition that spring, it was not thorough enough to form the basis for a new organization. So NewSchools awarded New Leaders three separate \$50,000 grants over the summer and fall of 2000 to flesh out its vision

Stage: Seed

Outcomes

- Theory of change
- Organizational strategy
- Business plan for execution

NewSchools' Role

- Help the organization develop and articulate its theory of change
 - What are the long-term outcomes it seeks to achieve?
 - What are the near-term outputs that will lead to that ultimate outcome?
 - What are the key activities necessary to achieve those outcomes?
- Provide strategic guidance on business plan development
 - What is the problem the organization plans to address?
 - What product or service will the organization develop to address that problem?
 - How will the organization address the problem better than others?
 - What are the non-negotiable parts of the model, versus those that are "nice to have?"
 - What resources will the venture need to accomplish its goals?
 - How will the organization sustain itself financially?

and write a strong, in-depth business plan that would lay the groundwork for the new organization's operations. During that time, Smith met with Schnur, Fenton and Burns regularly to help them think through the major strategic questions they faced in developing their plan, along with team members from New Profit Inc. and The Broad Foundation, two of New Leaders' other early backers. Drawing on her expertise from the business, nonprofit and education worlds, Smith was able to help "come up with strategies and solutions that made sense both in terms of developing the organization, as well as creating dramatic change in education," says Schnur.

Early on, NewSchools strongly encouraged New Leaders to develop a "theory of change," which would pin down the organization's desired outcomes, the outputs it would measure along the way and the key activities involved in achieving those outcomes. While the responsibility for these decisions lay squarely on the venture's shoulders, NewSchools was able to help structure the conversations and lend perspective, given its team members' diverse experiences in the education sector.

Another of those early discussions was about how to simplify the complex set of ambitious activities that New Leaders planned to undertake, and how to prioritize among them. To implement the model well, the team would have to develop strength on four equally challenging fronts: recruiting, training, placing, and supporting the principals. Smith, who had been on the founding team of two successful nonprofits, encouraged Schnur and his team to consider what its team could do well, what it had to do well, and what – if anything – it could outsource to other providers or partners. After careful consideration, it was determined that recruiting and placement required the team's attention, because they believed that they were creating a new framework for identifying leaders with a different skill set, and that in order to really have an impact, these leaders would need to be placed in schools with a greater degree of autonomy than most urban public school principals.

But training was a tougher nut to crack. Adequate and appropriate preparation for principals was certainly lacking, but could New Leaders effectively develop curriculum, hire instructors and certify these new principals? After careful evaluation of the needs and existing providers, the New Leaders team ultimately decided that the available coursework was not adequate for the new responsibilities these leaders would face. New Leaders chose to develop a new curriculum by working with select experts from around the country and retaining these thought leaders as faculty to teach the courses in New Leaders' summer institutes. Credentialing for leaders, as well as facilities to house the courses, would both be secured through partnerships.

By the fall of 2000, the New Leaders team had completed a business plan that detailed its theory of change, its service strategy, its business model, its financial model and its operating plan. In September, New Leaders returned to NewSchools for a more substantial, multi-year investment. As with every new investment, Smith brought the founding team to present to NewSchools' Investment Partners, a group of venture capitalists, entrepreneurs and educators. As experienced venture-builders, this group's antennae were tuned to identify the riskiest aspects of a venture's strategy.

During the meeting, the Investment Partners pressed Schnur and his team on several key concerns with New Leaders' plan, including whether high-quality leaders were out there at the scale New Leaders believed, and whether school districts would have the appetite for such a program. After the presentation was over, the Investment Partners flagged two short-term concerns for the NewSchools team to address: the model seemed to require too much philanthropic support to bring it to scale in many cities, and it was too complicated. "Can this enthusiastic but inexperienced team execute well on all four areas – recruiting, training, placing *and* supporting leaders?" they wondered. These were critical issues, and they urged the NewSchools staff to work aggressively with the New Leaders team to simplify the early operating plan.

But with those concerns duly noted, the Investment Partners recognized the venture's great potential impact and approved a two-year, \$1 million grant to New Leaders – to be disbursed as the venture reached defined

milestones along the way. Even with the massive organizational challenges before Schnur and his team, NewSchools and its Investment Partners believed that school-level leadership was a crucial leverage area for change, one that was not currently being addressed at the level it deserved. It would be worth taking on substantial risk to try to build this new entrepreneurial solution. If New Leaders were successful, not only would it provide a new cadre of leaders, but it would also draw attention to the impending principal shortage and to the need to “fix” recruitment, training and job design. Plenty of uphill climbing remained, but New Leaders had a thoughtful, reasonable design and was ready to begin the hard work of building an organization and proving its concept.

THE START-UP STAGE

The importance of a good business plan should not be underestimated, but even in the best cases the business plan is just an initial road map. Implementing the plan in the start-up stage involves daily struggle, tough tradeoffs and frequent strategic upheaval. Even entrepreneurs of the strongest mettle need support and guidance to get through this stage effectively.

In the start-up stage, an organization turns its idea into reality – or at least version 1.0. An initial team is recruited to cover the most important bases. For a multi-site business like New Leaders, a limited number (usually one or two) of pilot sites are launched to test and prove small-scale success of the model. Early discussions with supporters, partners and customers must now be turned into real operating relationships – not a trivial task, particularly in a complex business like New Leaders. While moving full steam ahead, the vision, strategy and business plan must be translated into detailed operating plans with short-term, medium-term and long-term metrics used to measure progress against goals and ensure that the fast-growing team is heading in a common direction. And a Board of Directors is assembled to ensure that the new venture has the appropriate governance as it moves forward to execute on its vision.

As New Leaders embarked on the start-up stage in the fall of 2000, NewSchools took a seat on New Leaders' Board, as NewSchools does with every organization that joins its venture portfolio. Taking this role early in a venture's lifecycle is a critical part of NewSchools' venture-building support. Good venture-building Boards are very hands-on and provide strategic guidance on key decisions the organization faces. It is at this point, when entrepreneurs struggle to keep up with shifting priorities and daily catastrophes, that Board members can help with the immediate challenges – while also ensuring that the team keeps the long-term horizon in sight throughout the constant challenges of the start-up phase. As former entrepreneurs and seasoned venture-builders, experienced venture investors can track patterns and help prepare entrepreneurs for challenges they might not otherwise anticipate.

Through monthly Board meetings and ad hoc advising to the executive team in between meetings, NewSchools is able to obtain frequent, detailed information about the venture, provide useful advice that is anchored in a deep understanding of the organization, and ensure that the right questions are asked all along

Stage: Start-up

Outcomes

- Executive team in place
- Board of Directors established
- Theory of change turned into set of organizational objectives and key results to be monitored on a regular basis
- Product or service created, and proof of concept demonstrated

NewSchools' Role

- Strategic Board-level guidance, with a focus on:
 - Organizational development – building a strong, hybrid executive team
 - Design and development of Board of Directors
 - Strategic planning, including development of initial objectives and key results, as well as assisting with setting organizational priorities
 - Tactical and strategic guidance on the design and development of the product or service
 - Fundraising support
 - Helping the team to look ahead and “around the corner” to prepare for challenges of the next stage

the way. And because the Board bears ultimate responsibility for the organization, NewSchools is “on the hook,” together with the venture’s executive team, for making progress and aligning everyone’s priorities toward success.

In early 2001, NewSchools partner Lauren Dutton joined the Board of New Leaders, bringing valuable expertise in early-stage organization building and scaling multi-site service organizations from her work as vice president for development at Edison Schools, director of new site development at City Year and also as one of Teach For America’s first city directors. Dutton attended regular New Leaders Board meetings, and made herself available to Schnur and his team for ad hoc issues that arose.

Once New Leaders had a business plan and the beginnings of a team in place, Dutton began to work with New Leaders’ other funders – including The Broad Foundation and New Profit Inc. – to craft a “balanced scorecard” that would measure the organization’s development on a regular basis, enabling everyone involved to monitor progress according to agreed-upon metrics. NewSchools often works collaboratively with a venture’s other funders in this way, to develop common evaluations and milestones so that an entrepreneur can maximize time and energy spent executing on the vision. This style of funder collaboration is typical among for-profit venture capitalists and but less typical in the nonprofit space, particularly among traditional foundations.

Before New Leaders could start recruiting applicants for its program (or “fellows,” as they would soon be called), the team had to decide in how many cities to work and with which cities to develop partnerships in the first year. Initially, says Schnur, plans called for starting in just one high-need urban area to prove the model before scaling. However, Smith – who had been on the founding team of Teach For America – pushed him to think very strategically about that first year. “Kim encouraged us to consider starting in multiple cities right off the bat, so we could understand how to build a model that worked in different places, rather than being customized for one city’s idiosyncratic needs,” says Schnur.

After the team and advisors created a detailed criteria matrix to assess possible sites, Chicago and New York City were ultimately chosen as initial sites to pursue as partners. This had the added benefit of positioning New Leaders as a national organization right from the start. Smith also encouraged Schnur to consider adding charter schools to his program’s mix in the first year. Through his earlier work on federal education policy, Schnur had become convinced that charter schools could be powerful catalysts for education reform. He wanted his new leadership program to include charter schools, which could provide a flexible working environment for the new principals and demonstrate what a successful leader could achieve in a more autonomous school, in an aligned system that was accountable for results.

Several philanthropic backers now involved in New Leaders’ development held conflicting opinions on this issue, and Schnur looked to NewSchools for guidance on how to move forward. “Some funders were telling us to just work with districts because ‘charters aren’t *really* public schools,’ and others were telling us to just work with charter schools because ‘districts are too messed up,’” says Schnur. “NewSchools was aligned with us on the importance of including charter schools, and Kim helped push us toward bringing a charter school system into the mix right from the first year.”

Ultimately, New Leaders decided that charter school leadership would be an important part of the model that could demonstrate what true site-level principal authority might look like. To test that hypothesis and reduce the complexity of working with multiple charter schools, Dutton helped to set up a pilot partnership with another of NewSchools’ portfolio ventures: Aspire Public Schools, a growing nonprofit charter management organization that would soon need talented, well-prepared leaders for its charter schools in the San Francisco Bay Area. Cognizant of the importance of this experiment for both organizations, NewSchools also provided the additional funds needed for the initial year of the partnership.

By the summer of 2001, the hard work that New Leaders had done with the help of its Board and the NewSchools team had begun to pay off. A detailed candidate selection process had been drafted, which

outlined ideal skills sets and the method by which candidates would be interviewed. Partnership agreements were signed with New York City, Chicago and Aspire that secured placements for New Leaders' first cadre of principal "fellows." Although the organization had been in existence for less than a year, nearly 200 candidates applied for the first 15 fellowship slots – thanks in part to extensive marketing. Those fellows attended New Leaders' first training institute that summer, using brand-new curriculum and case materials that had just been written (and would be refined and improved each successive summer). Thirteen of the fellows from that initial cohort were placed as "residents" in schools for the 2001-2002 school year, alongside experienced principals who would serve as their mentors for one year. It was an opportunity that few new principals ever get – a year in a school with "training wheels" – but one that would set New Leaders' program apart, and would prepare these leaders uniquely for the challenges ahead.

THE SCALE-UP STAGE

By the time an organization reaches the scale-up stage, many wrenching changes have taken place. Where there was once just an idea, there is now a real organization with a real team, real customers and services, and a tangible sense of what the venture's work really looks like. The entrepreneur has demonstrated initial success, but must now consider how to grow, while continuing to serve to its current customers.

However, developing and maintaining operations in one or two sites is vastly different from running them in many. So during this stage, the team must shift from inventing to building infrastructure. That includes formalizing things that might once have been improvised, such as how to recruit new team members for new sites and how to maintain the organization's unique culture in new, often far-flung offices. And as the team and organization mature, so too must the Board, so that they continue to provide the right level and type of oversight for this growth stage.

As it entered the scale-up stage, New Leaders confronted a crucial strategic crossroads: should it "go deep" by growing slowly and steadily strengthening its impact in each city, or respond to escalating demand from cities across the country and "go broad," adding several new sites each year? The fate of the program hung in the balance: many organizations had collapsed from the weight of growing too quickly, but missing a window of opportunity for growth could also be disastrous. Dutton and the other Board members spent a lot of time hashing out the pros and cons of each direction with the management team. With experience managing several distributed multi-site service organizations, Dutton encouraged Schnur to think hard about the target at which he was aiming and to be very disciplined about assessing the real cost/benefit of adding new sites.

The target, Schnur realized, was to have a critical mass of these new leaders concentrated in a smaller number of cities, where their impact on the system would be significant and measurable. Guided by their theory of change, New Leaders was pursuing a "tipping point" strategy: to have an impact on overall district performance, New Leaders would need to have trained and placed 20 to 30 percent of the principals in that district. Once this goal had been clarified, the decision became clear: to "go deep," adding fellows in existing cities while expanding to just one new district each year. Under this plan, by 2012 New Leaders would be operating in 16 cities, with 2000 fellows prepared and placed as school leaders, and a collective impact on 1,000,000 students annually.

Stage: Scale-Up

Outcomes

- Strong organizational infrastructure
- Stable, robust Board of Directors
- Product or service brought to scale

NewSchools' Role

- Strategic Board-level guidance, focused on:
 - Scaling – replicating the program with high quality
 - Developing internal systems and infrastructure to support growth
 - Strengthening strong Board of Directors
 - Fundraising support
 - Balancing growth and change with continued service to existing

Along with this decision came the question of how to select the next city for a New Leaders partnership. The New York and Chicago partnerships had emerged from a mix of high-level market analysis and fortuitous network connections. As the organization moved forward, Dutton helped Schnur flesh out the organization's concept of selecting new placement sites using a city competition. This may have seemed counter-intuitive for such a young organization, but the process would force districts to bid against each other and simultaneously drive up New Leaders' status as a highly selective and sought-after program. Dutton had helped organize a similar effort at City Year, and she served as a key advisor on the process by helping to clarify the ideal parameters for a partner city and the requirements that the program would call for in any district partnership. These "non-negotiables" would be crucial to decide before any competition, when districts would have their own demands and unique needs. Then, she helped the New Leaders team structure a city competition in late 2002 that drew serious attention from almost a dozen major urban districts across the country.

Eventually, in early 2003, Washington D.C. was chosen as New Leaders' third district partnership. This relationship solidified another significant achievement: in order to get New Leaders to come to Washington D.C., the D.C. Public Schools agreed (after several months of negotiations) to certain conditions that New Leaders considered crucial factors for success, among them an "autonomy" provision for New Leaders principals that would give them site-level authority over budget, curriculum, operations, professional development, and teacher hiring. As groundbreaking as this was, D.C. Public Schools decided to offer *all* the district's high-performing leaders the same autonomy that New Leaders required for its newly placed principals. This was made possible in part by the nature of the city competition, which had brought key stakeholders together to lure New Leaders to Washington D.C., and demonstrated an important way New Leaders' impact reached beyond the work of school leaders in its program.

A third issue during this stage for New Leaders was to ensure that the Board had the right mix of skills and connections to guide and mentor the team as it scaled up operations. In spring 2002, NewSchools partner Joanne Weiss took over for Dutton on the Board of New Leaders. As chief executive of several successful education technology startups and a Board member for a number of nonprofits, Weiss understood well the challenges and obstacles that young organizations encountered at this stage of growth.

Weiss encouraged New Leaders to scale back the size of the Board it planned to recruit – from 15 to about 7 members – noting that "nonprofits often have huge Boards to facilitate fundraising, but the challenges that New Leaders faced with scaling were so great that they needed a 'start-up' Board more than a fundraising Board." A smaller Board with specific experience that complements the organization's own skills and connections can be a more active, focused, effective resource for an organization in the scale-up stage. She also recommended that Schnur and his team determine the exact types of expertise and connections they sought, and then recruit based on those profiles. For example, as New Leaders pursued new city partnerships, its Board called for an experienced education leader who understood the ins and outs of district decision-making; that led to the recruitment of Libia Gil, a respected educator and former superintendent. To the group, New Leaders also added senior business leaders – including a chief financial officer from Boeing, a Bain Capital partner and an experienced investment banker as chairman – rounding out a strong Board that would advise and guide the young organization as it moved forward.

THE EXPANSION STAGE

By the time an organization progresses to the expansion stage, it has defined its systems and priorities for expansion, and come a long way toward realizing its vision. And in the best cases, its team and Board are sufficiently developed so that it can continue growing without hands-on support from a group like NewSchools. But before that can happen, there are two final – and not insignificant – hurdles to overcome. First, the venture must demonstrate its effectiveness: is the model having the outcomes it set out to achieve? On top of the organizational objectives and key results, a clear evaluation process should measure real impact on student achievement. If the program is indeed making a difference, then the venture must consider the

second hurdle: how will the organization survive over the long haul? This requires a plan for financial sustainability, with clear – and reasonable – expectations set out for ongoing philanthropy and/or earned revenue.

As New Leaders entered the expansion stage, Weiss and others on the Board guided the New Leaders executive team as it made the transition from idea to organization to multi-site operation, and finally to systems that would support the organization at scale. In particular, Weiss helped design and implement a performance review process for employees, including the management team. “The performance review process ended up revealing some issues within our management team,” said Schnur. “Joanne worked closely with us to clarify those issues, bring them out into the open and resolve them. That meant confronting some difficult changes to our organizational structure, but those changes were crucial to the health and strength of the organization.”

In mid-2003, as NewSchools' initial two-year commitment to New Leaders drew to a close, Schnur and his team again came before NewSchools' investment partner group for a reinvestment decision. Since the last grant approval in 2001 for start-up and early scale-up capital, New Leaders had made great strides toward becoming a strong national organization. The ever-present question had been: can this team focus its efforts on the right pieces of this ambitious mission? So far, the answer was yes. New Leaders had operations in 4 cities – Chicago, New York, the San Francisco Bay Area and a new Washington, D.C. office – with 100 fellows either in training or placed in schools, and about 50,000 students being served by New Leaders principals.

However, New Leaders still needed to address the most fundamental issues of the expansion stage: effectiveness and sustainability. On the former issue, New Leaders had been collecting and analyzing student achievement data along the way, but had not yet engaged an external evaluator to measure the effect of its leaders on student achievement. By 2003, the

organization had begun to work on an evaluation plan with the support of the Annie. E. Casey Foundation and the Noyce Foundation. Noyce trustee Ann Bowers had first been introduced to New Leaders in 2000 at a NewSchools Investment Partner meeting. In 2003 and 2004, as New Leaders entered the expansion stage, Weiss worked with others on New Leaders' evaluation committee to select an evaluation team and design an evaluation plan. In fact, the evaluation strategy was guided in large part by the very theory of change that New Leaders had crafted back in the seed stage with NewSchools' help.

Sustainability was also a significant challenge for New Leaders in the expansion stage. Although NewSchools firmly believed that early-stage ventures needed significant capital to build strong organizations and teams from the ground up, it also operated with a conviction that ongoing organizational sustainability is a critical issue to deal with early on. Since many philanthropic funders prefer to taper off their giving after a certain length of time, New Leaders needed a clear, viable plan for sustainability over time, including some mix of national philanthropy, local funders, public support from government or districts, and earned income.

With these challenges on the table, NewSchools approved a new multi-year grant of \$850,000 to New Leaders in July 2003. To hammer home the importance of both effectiveness and sustainability, some installments of this new grant would be contingent on addressing these hurdles. A rigorous, multi-year evaluation of New Leaders-trained principals was begun in the summer of 2004, and a sustainability plan was due to be completed by fall 2004.

Stage: Expansion

Outcomes

- Adoption of the product or service in multiple sites
- High-quality operational infrastructure that is both efficient and effective
- Demonstrated impact
- Stable financial structure

NewSchools' Role

- Board-level guidance, focused on:
 - Financial sustainability planning and implementation
 - Organizational development, including staffing and processes to support multiple sites
 - Design and execution of evaluation

ONGOING STRATEGIC PLANNING

Even as an organization matures, the work of strategic planning continues. As New Leaders expanded into new sites, its executive team realized that the market was changing. The organization's own success had led to an unexpected challenge: districts were beginning to compete directly with New Leaders, using New Leaders' model as a prototype for their own principal training initiatives. While this type of "catalytic impact" on the system was just what they had hoped for, it caused New Leaders to think further about its role in the education landscape.

At the same time, new philanthropic capital was beginning to be directed toward the creation of new small schools, including charter schools, which would need talented principals – leaders whom districts would be unprepared to adequately train. New Leaders' work with charter schools gave them a unique vantage point on preparing principals to take on the challenge of leading brand-new schools. In mid-2003, NewSchools gave New Leaders the time and opportunity to investigate this need by making a small separate grant to New Leaders. This allowed the organization to explore the skills and training needed by school leaders that were starting new schools – either charter or district schools – versus those that are leading or turning around an existing school.

The separate planning grant enabled New Leaders to position itself relative to an important development in the market and create additional curriculum, support and program infrastructure to capitalize on that shift. Today, New Leaders is working with several cities to train leaders to lead their new schools, including New York City, where the creation of 50 new charter schools over the next 5 years is a major strategic priority.

CONCLUSION

NewSchools' first four years of working with New Leaders for New Schools – an organization that has grown in that time from one entrepreneur's vision into a leader in principal training – has taught NewSchools a great deal about venture-building. These lessons continue to inform NewSchools' investment strategy and its work with other entrepreneurs:

- ***Theory of change.*** A mission-driven organization must develop a strong theory of change to give substance to their hypotheses about how they will impact the existing system and accomplish their goals. This theory of change is needed to focus the organization's priorities and inform the metrics it will use to guide its decision-making. Throughout its development, New Leaders for New Schools often referred back to its theory of change when faced with key strategic decisions, using it as a compass to remind everyone in which direction to pull.
- ***Reporting and communication.*** Once a theory of change is in place, organizations must make each year's objectives and key results concrete. Then, it is critical that the organization report on those in a clear, consistent and transparent way, so that progress can be measured and communicated to the team and the Board of Directors.
- ***"Hybrid" executive team.*** Having an executive team of the highest possible caliber is critical, as they are charged with making the day-to-day decisions that move the organization forward and bear ultimate responsibility for creating an effective organization. Because of the complexity of the education culture and market, the best leadership teams for new education ventures are those that bring skills from across the public, private and nonprofit sectors to bear on the challenges of building a new organization.
- ***Board of Directors.*** With a solid executive team in place, a good Board of Directors should then be able to provide a venture with an appropriate level of oversight and guidance, balancing and anchoring the work of the team. New Leaders' Board has been able to lend a steady hand, a broad perspective and strategic guidance to its executive team throughout each growth stage.

- ***Efficacy of product or service.*** Ultimately, the executive team and the Board are responsible not only for creating an effective organization, but also a high-quality product or service that has a tangible and positive impact on the target population – in this case, on student achievement and the public education system. Experienced venture builders like NewSchools can keep an eye on the long-term goals and help an entrepreneur balance the tradeoffs between time, quality and cost, as well as ensure that measures are put in place to evaluate the outcomes of the venture's work.
- ***Financial sustainability.*** All new organizations should consider how to reach ongoing sustainability. In the earliest stages, supporters like NewSchools both provide funding and help with fundraising plans and connections. Over time, as in New Leaders' case, NewSchools and other "venture builders" also ensure that the organization has not only the appropriate amount of support in place, but also a plan for the type and level of funding needed to reach sustainability.