

The logo features a thick, black, curved line that starts at the top right and arcs towards the left, ending above the word 'LUMINA'.

LUMINA[®]
FOUNDATION FOR EDUCATION

From the Ground Up

An Early History of Lumina Foundation for Education



*A Deal Makes
it Real*



*“The transaction was a magical thing.
All of a sudden we snapped our fingers,
and we had almost a billion dollars.
What do we do with it?”*

NORRIS DARRELL
Lumina Foundation Board Member

Chapter 1

A Deal Makes it Real

The transaction, announced in mid-2000 and formally completed on the last day of July 2000, came as a shock to some, a relief to others, and prompted questions and speculation throughout the financial community. USA Group Inc., parent company to USA Funds, the nation's largest private guarantor and administrator of education loans, was selling most of its operating assets to SLM Inc. (Sallie Mae), owner and manager of student loans for 5.3 million borrowers. The transaction, rumored for years, presented a range of challenges for the once fiercely competitive industry giants.

Most of USA Group's staff went to Sallie Mae, along with business operations, equipment and real estate. USA Funds, excluded from the sale for legal reasons, remained as an independent, nonprofit guarantor. USA Group, while retaining its nonprofit status, converted its tax-exempt classification from "public charity" to "foundation."

Boards for both organizations restructured. Most of USA Group's board members stayed with the foundation, and they were joined by four previous members of the Student Loan Marketing Association, an SLM subsidiary. SLM's board added two USA Group board members.



“How should the mission be defined for the newly formed foundation? How would the funds be invested and expended?”

USA Group agreed to a sale price of \$770 million. Sallie Mae, a publicly held company, paid \$400 million in cash and \$370 million in stock for the operating assets. Utilization of the proceeds from the sale presented the directors of the restructured USA Group board with key questions: “How should the mission be defined for the newly formed foundation? How would the funds be invested and expended?”

“These were questions we had anticipated and discussed for a long time,” said Edward R. Schmidt, who was a USA Group executive vice president, general counsel and board member. Beginning in the mid-1990s, Schmidt chaired a task force that would come to be known as SALT (Strategic Alternatives, Legal and Tax). To keep pace with the growing student loan industry, USA Group had developed a wide range of services that arguably no longer fit comfortably within the nonprofit corporate model. The company was rapidly expanding, adding hundreds of employees annually, and was generating sizable revenues. It was reinvesting in new and improved services and products for students and schools.

However, the clock was ticking on how long USA Group could maintain its current structure, remain competitive and, at the same time, continue to serve and expand its nonprofit mission. In addition, federal actions had made it more and more difficult for USA Group to raise capital and remain competitive. Clearly, the company needed to develop a long-range plan.

“Our concern was that the government might eventually come in and challenge the continuation of our tax-exempt status,” explained Schmidt. To prepare for such an eventuality, the SALT task force studied the company’s options and explored numerous “what-if” scenarios. The result was a strategy to sell its operating assets to another entity and rededicate and redefine its historic focus and mission as an operating foundation.

USA Group entertained numerous bids, but Sallie Mae — an on-again-off-again suitor — presented the strongest offer. The USA Group board could direct the proceeds to transform itself as a significant foundation. In 1997 USA Group had established a budget line to support a stepped-up corporate-giving program called USA Group Foundation.

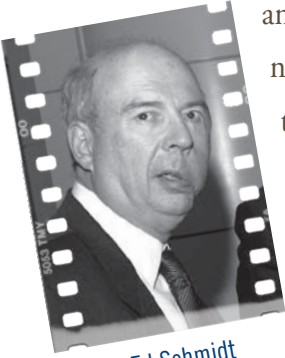
James C. Lintzenich, then USA Group’s president and CEO, explained the board’s rationale this way: “We wanted to have some idea of what we could do in the foundation world. We didn’t have a complete game plan, but (easing into foundation work would give us) a bit of experience, so when we pulled the plug and did the deal, we would have a walking start.” USA Group could simply formalize and expand that concept by converting the corporate-giving program to a full-scale private foundation. The latter option was appealing because the mission of promoting and supporting educational access was consistent with the mission of USA Group and its affiliated guarantor company, USA Funds. These companies had a 40-year history of helping students realize their postsecondary education dreams.



Jim Lintzenich

Preparing for the inevitable

Actually, the preparation for this course of action had started several years earlier. “We were ahead of the curve in identifying the issues,” recalled Schmidt. “We took a lot of time and brought in some very good minds. We talked with leaders in the nonprofit sector, and we learned the intricacies of managing such a transaction. In the end, we just knew this was the right thing to do and the right course of action to serve our mission.”



Ed Schmidt

USA Group already had 501(c)(3) status and could continue to operate as a charitable, educational enterprise and convert its tax status to that of a private foundation. The approving actions took place shortly after the formal closing of the transaction.

The company had three executives on staff plus a board member who were qualified to help guide the “walking start.” Martha D. Lamkin, a USA Group director and executive vice president of corporate affairs, had chaired both the Indianapolis Foundation’s and the



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Central Indiana Community Foundation’s boards of directors and had served as president of Cummins Engine Company Foundation. Robert C. Dickeson, senior vice president for corporate advancement, was a national expert in higher education administration and president emeritus of the University of Northern Colorado. Susan O. Conner, senior vice president for public affairs and corporate communications, had worked for seven years

directing communication at one of the country's largest private foundations, Indianapolis-based Lilly Endowment Inc. John M. Mutz, a USA Group director, had been president of Lilly Endowment after serving two terms as lieutenant governor of Indiana.



Bob Dickeson

At the same meeting in which the board authorized the change in the tax status to that of a foundation, it also approved a mission statement and a vision for the new entity.

The latter was intentionally broad: "To become recognized nationally as a leading force for the improvement of higher education." The mission was more focused but still flexible: "The mission of the USA Group Foundation (as the corporation was to be known) is to provide special emphasis on the improvement of higher education through the strategic utilization of original and sponsored research, provision of educational grants and sponsorship of selected educational activities."

Building on tradition

Giving money to good causes was nothing new for USA Group. The company had been building a reputation as a contributor to nonprofit programs and organizations, especially those linked to education and located in central Indiana. Martha Lamkin assumed responsibility for a new division within the company, to be known as USA Group Foundation. Its role was to enhance and expand philanthropic activities; at Lamkin's urging, its annual budgets steadily increased. In 1998, USA Group paid out \$1.4 million in grants; in 1999 the total increased by almost 60 percent to \$2.5 million. Rather than making random gifts to a number of worthy initiatives, this corporate-giving program took a more thoughtful approach to grant making, with its largest donations designated for access to higher education, research and K-12 school improvement.





Ken Redd

As the prospects of a sale became increasingly likely, Lamkin and Dickeson prepared to expand the staff. Jill Kramer, a student at Indiana University's Center on Philanthropy in Indianapolis, was an early addition. Hired initially as a graduate assistant, she became the first program officer. Convinced of the value of supporting and publishing practical research on the financial-aid challenges facing students, Lamkin and Dickeson recruited two well-known student-finance scholars — Jerry S. Davis and Kenneth E. Redd — coincidentally, from the Sallie Mae Education Institute. These five employees constituted the USA Group Foundation Advisory Committee and were responsible for reviewing grant proposals and making recommendations on how to spend a \$3 million budget. Moreover, the presses began to roll on publications that presented thoughtful financial-aid analysis.

Then came the transaction that would endow the Foundation with \$770 million — a sum that surprised even the most optimistic of SALT committee members. A news release, jointly issued by USA Group and Sallie Mae, explained the dispensation of funds in a single sentence: “Proceeds of the sale, totaling \$770 million in cash and stock, will be directed toward the USA Group Foundation, which is dedicated to improving access to quality education.” Overnight, the transaction put USA Group on track to become one of the 60 largest private foundations in America. Even Ed Schmidt, who had contemplated numerous scenarios, expressed surprise at the size of the sale. “When we first started SALT discussions, our advisers initially suggested the value of our operating assets to be in the range of \$125 to \$150 million,” he noted.



Jerry Davis

The conclusion of the transaction vaulted USA Group and its previous philanthropic activities into the spotlight. No longer a quiet, modestly endowed corporate giving program, USA Group was about to transform itself into full-fledged private foundation status. It would be an independent entity with investment and grant portfolios to manage,

a strategy to develop and operations to establish. Responsibility for all of these tasks rested with a 14-member board of directors whose makeup had been determined during the sale negotiations between USA Group and Sallie Mae. In accordance with the transaction agreement, 10 directors came from USA Group and four from Sallie Mae.

Finding common ground

“It wasn’t instant bonding,” recalled J. Bonnie Newman, who was executive dean at Harvard University’s John F. Kennedy School of Government at the time she was tapped for Foundation board membership. “Many of us were unacquainted with one another. Fortunately, in time, the board discovered mutual commitment and enthusiasm for the mission of what was soon to be known as Lumina Foundation.”

Ed McCabe, chairman of the USA Group board, continued as chairman. “I had had a major involvement in developing the transaction between USA Group and Sallie Mae,”



“It wasn’t instant bonding.”

he explained. “I was part of the process that got us as far as we were then. When somebody asked, ‘Ed, would you continue as chair?’ it seemed to make sense.”

McCabe’s experience at Sallie Mae and USA Group and his cordial leadership style helped ease the tension when board members, formerly competitors, gathered as cool but respectful colleagues. Among the most pressing issues before them was the selection of the Foundation’s president and chief executive officer. Several internal candidates expressed varying degrees of interest in the job. Another option was to have the board advertise the position and conduct a national search for a high-profile leader. In the event that members chose that course of action, McCabe asked John Mutz if he would serve as interim



John Mutz

president until a permanent leader was recruited. Mutz, estimating that a national search might take as long as nine months to complete, was lukewarm to the idea. “I said, ‘yes, if that’s the only option,’ but I preferred to take the other route,” recalled Mutz. He championed the candidacy of Martha Lamkin and lobbied enthusiastically on her behalf to fellow board members. It proved to be an easy sell.

“Most of us thought that Martha’s leadership style would be appropriate for a foundation,” said Jim Lintzenich, former chief executive officer of USA Group who briefly joined Sallie Mae’s leadership team as president and chief operating officer. “I was very familiar with her because I had worked with her and knew her ability to create consensus.”

Leaving nothing to chance, McCabe took to the telephone to build the case for Lamkin. His message to his board colleagues was simple: “We need to get this machine moving, and we’ve got the talent right here in front of our noses.” He recognized that a unanimous vote was unlikely, but he wanted a clear show of support. Anything short of a lopsided victory could lead to ongoing dissent. He got what he wanted.

“So we voted,” he concluded, “and it was finished.”



“So we voted ... and it was finished.”



One on One

... with Edward A. McCabe

Edward McCabe, a prominent Washington, D.C., attorney, served as chairman of Sallie Mae's board for 17 years before joining the board of USA Funds. He was chairman of USA Group at the time of the sale to Sallie Mae. On July 31, 2000, McCabe became the founding chairman of USA Group Foundation, later Lumina Foundation for Education. He retired from Lumina board service in April 2006.

As one who held top leadership positions with both Sallie Mae and USA Group, how did you view the transaction in 2000?

I thought it was a great idea ... and I still do. When Sallie talked with us, we were faced with two key questions: First, do we want to sell? Second, at what price? The price was important because USA Group, as a nonprofit organization, had a responsibility to make sure we didn't "peddle our assets on the cheap side." We had several sessions with the Sallie Mae people and laid down some stiff requirements. When it was all done, we got a price that staggered the imagination.

Were there advantages to building a new organization, Lumina, from the ground up?

I think so. We had an open road before us and could carve out our own direction. Still, there were so many details . . . I flew to Indianapolis for many, many meetings with Martha Lamkin and John Mutz in the little library room of the Canterbury Hotel. We'd work all day, and then they'd put me on a plane back to Washington late in the afternoon. My goal was to get the Foundation up and moving by 2002, when I planned to retire as chairman. I wanted to set up committees and assign members whose backgrounds made them qualified for the work. It wasn't rocket science, but we had to put the right people in the right places.

Was everyone in agreement about Lumina's focus?

The board pretty much endorsed the notion of access and success in postsecondary education. We weren't unanimous, but we had consensus. We felt this was an unmet need and an area where Lumina could be an agent for change. I don't know who put the exact words down on paper, but they are good words.

What was it like to represent a new, unknown foundation? Was Lumina instantly respected in the philanthropic world?

I remember attending a meeting of foundation officers at Harvard very early in our history. I felt smug; here I was, chairman of a new foundation that was sitting on close to a billion dollars at the time — a big deal! We broke into discussion groups, and someone suggested that we identify ourselves, tell about our foundations and our asset bases. A young woman, 30-ish, was sitting next to me. She stood up and said her foundation's assets were \$18 billion. One by one the others stood and threw around huge numbers — \$10 billion, \$20 billion; one person represented assets of \$40 billion. When they came to me, I had lost all my bravado. I said, "I'm Ed McCabe, chairman of Lumina Foundation, newly established. We don't quite know what our mission is, and our funding is unclear at this point. I decided this was no place to brag about a billion dollars!"

At the end of your two years as chairman, did you feel confident that Lumina was on strong footing and you could assume a less demanding role?

Yes, I felt very comfortable stepping down. When I left, the leadership was very strong. We had independent thinkers who could take a good idea and turn it into a better one. This is important. Somebody asked me early on, “What does a foundation do?” I answered, “We give away money,” then I quickly added, “and that is very hard work, if you do it right.”



“Here I was, chairman of a new foundation that was sitting on close to a billion dollars at the time — a big deal!”



Martha Lamkin and Ed McCabe unveil a portrait of the founding chairman that now hangs in the boardroom named in his honor.

Lumina Foundation Board of Directors

Founding members, as of Aug. 1, 2000

Edward A. McCabe, chairman

Former chairman of the boards of USA Group and Sallie Mae; of counsel to Foley & Lardner, Washington, D.C.

John M. Mutz, vice chairman

Former president of PSI Energy; former president of Lilly Endowment Inc.; former lieutenant governor of Indiana; Indianapolis, Ind. (NOTE: In April 2002, Mutz was elected chairman, effective Aug. 1, 2002. He succeeded McCabe, who retained a seat on the board.)

Rev. E. William Beauchamp, CSC

Executive vice president emeritus, University of Notre Dame; Notre Dame, Ind. (NOTE: Elected president, University of Portland (Oregon), November 2003.)

Gerald L. Bepko

Chancellor of Indiana University-Purdue University Indianapolis (IUPUI). (NOTE: Bepko retired from the chancellor position in 2003; he serves as chancellor emeritus and trustees' professor, Indiana University School of Law, Indianapolis.)

Susan M. Boyle

Former executive vice president of Xerox Financial Services; Greenwich, Conn.

Norris Darrell Jr.

Senior counsel and retired partner of Sullivan & Cromwell; New York, N.Y.

Martha D. Lamkin

President and CEO, Lumina Foundation; Indianapolis, Ind.

James C. Lintzenich

Former vice chairman and CEO of USA Group; former president and CEO of SLM Inc. (Sallie Mae); Indianapolis, Ind. (NOTE: Lintzenich resigned from Sallie Mae in April 2001.)

Marie V. McDemmond*

President of Norfolk State University; Norfolk, Va. (NOTE: McDemmond retired from the presidency of Norfolk State University in 2005.)

William R. Neale

Partner with Krieg DeVault, LLP; Indianapolis, Ind.

J. Bonnie Newman*

Executive dean at Harvard University's John F. Kennedy School of Government; Cambridge, Mass. (NOTE: Newman departed Harvard University in 2005 and served as interim president of the University of New Hampshire from June 2006 to July 2007.)

Richard J. Ramsden*

Independent financial consultant; Lyme, N.H.

Randolph H. Waterfield Jr.*

Independent accounting consultant; High Bar Harbor, Maine

*Former directors of the Sallie Mae board of directors; all others had been members of the USA Group board.

New members of the board were elected prior to December 31, 2007, as follows:

Edward R. Schmidt, January 2001

Former executive vice president and general counsel for USA Group, Indianapolis, Ind.

Albert C. Yates, April 2006

President emeritus of Colorado State University. (NOTE: Yates resigned from the board in July 2006 for health reasons.)

Michael L. Smith, April 2006

Former executive vice president and chief financial officer for Anthem Inc. and its subsidiaries, Anthem Blue Cross and Blue Shield, Indianapolis, Ind.

Frank Alvarez, April 2007

President and CEO of TMC Healthcare; Tucson, Ariz.

Laura Palmer Noone, April 2007

President emerita of the University of Phoenix, Phoenix, Ariz.

Three of the original members departed the board prior to December 31, 2007, as follows:

Susan M. Boyle, resigned April 2003.

Edward A. McCabe, retired April 2006.

William R. Neale, retired April 2007.



Breaking Away



“What’s in a name? For us, Lumina Foundation for Education signifies the significant change we have undertaken — from a corporate-giving program to a private foundation, separately endowed.

While we are respectful of our roots, we are now independent of them.”

MARTHA LAMKIN

Speaking to the American Council on Education

February 2001

Chapter 2

Breaking Away

As USA Group prepared to announce publicly that it had agreed to sell its assets to Sallie Mae, efforts were already under way to rename the corporation that would emerge from the sale. Among participants at a four-hour meeting in Indianapolis in mid-July 2000 was a Chicago-based consultant with expertise in corporate-identity design. The session launched a six-month quest to select a name, create a tagline and agree on a logo. The goals were to establish the Foundation as a distinct entity, distill its mission to a memorable phrase, and present a package that was agreeable to staff and board members and didn't infringe on any other organization's copyright or trademark. The task proved often frustrating and sometimes humorous.



Dave Powell

“Some of the proposed names were downright wacky,” recalled David S. Powell, a Foundation employee who, along with Communication Director Sara Murray, helped guide the process in its early stages. Brainstorming sessions yielded names that ranged from the bland (Access to Learning) to the ethereal (The American Dream Foundation) to the stuffy (The Hecademus Foundation). “My personal favorite was The

Quadrivium Foundation,” joked Powell. “That’s Latin for ‘crossroads’ and was used to refer to four of the seven liberal arts. It wasn’t exactly a publicly accessible concept.”

Ideas for names, taglines and logos were traded by e-mail, doodled on scratch pads, included in staff surveys and mounted on PowerPoint slides. Certain words survived scrutiny — “access,” “learning” and “education” earned thumbs up. Proposed logos were less successful (see opposite page). Some looked like variations on an inkblot test. Others offered hearts, stars, flames and levitating textbooks.

“One name and tagline suggestion sounded like a drugstore chain,” recalled Martha Lamkin, who traveled to South Bend to consult with Rev. E. William Beauchamp, executive vice president of the University of Notre Dame, Foundation board member and chair of the board’s “branding” committee. “We got pretty desperate,” Lamkin admitted. “Father Bill sat at his assistant’s computer and went through a thesaurus. We tried foreign words and academic terms. Whenever we found one we liked, we vetted it, only to learn that it legally belonged to another organization.”



Father Bill Beauchamp

Seeing the light

The successful name finally emerged in an e-mail message that Bob Dickeson sent from his home office in Colorado. Almost as an afterthought he tossed out “two possible names, each from the Latin, if anyone’s interested.” His candidates were “Ingress” or “Ingressus” and “Lumen” or “Lumina.” The latter met with internal approval and eventually made its way to Beauchamp’s committee, which also liked the word’s simplicity and clarity. Amazingly, legal checks showed the name was not already protected by another organization. Beauchamp recommended the fleshed-out “Lumina Foundation for Education” to his colleagues at their next meeting.



“It led to a lot of banter because Chevrolet made a car called the Lumina,” said Ed McCabe. “Jerry Bepko (board member and chancellor of Indiana University-Purdue University Indianapolis) told us that Indiana University had a whole fleet of Luminas. I said, ‘Never mind, Jerry; Lumina means light’ ... and so we went with it.”

Agreeing on a logo required even more deliberation. None of the designs from outside consultants quite captured the identity that the newly named foundation wanted to convey. Time was running out when Martha Lamkin accepted an invitation to address the annual meeting of the American Council on Education (ACE) set for February 2001. The occasion offered the perfect opportunity to introduce Lumina to an audience that was very familiar with the Foundation’s predecessor. Lamkin’s remarks explained:



You have known USA Group Foundation as a sponsor of several ACE programs. We have been pleased to support the ACE Fellows program, the “Academic Excellence and Cost Management National Awards Program,” and numerous other projects designed to help the American Council on Education achieve its high calling. ... But today, we take

pleasure in announcing, for the first time publicly, a new name that symbolizes a new beginning for our foundation, and for its newly enlarged mission and scope.

To promote the unveiling, Lumina had secured space in the event's program booklet. The words in the Lumina advertisement proclaimed: "A new light dawns on American higher education," and the accompanying illustration, created by an Indianapolis-based graphic designer, showed the sun coming around planet Earth. "It looked like you were in outer space, and you could see this little sliver of light over the edge of the planet," recalled Dave Powell. "Everybody loved that ad; Martha particularly liked the small curving swoop that suggested the dawn of something new." With a design finally in mind, the Lumina staff experimented with typefaces — "we wanted something classic, something that looked as if it could've been chiseled into a Roman column," explained Powell — and added a touch of blue to the swoop.



"Because the color was different, and the arc of light sloped down to the right, we weren't in competition with Nike," added Lamkin.

Mission accomplished.

Establishing independence

The new name and logo served as the Foundation's very public declaration of independent purpose, and the underlying rationale was expressed in the new tagline: "Helping people achieve their potential." However, to move toward independence, Lumina

needed to resolve two substantive issues. The first involved a requirement stipulated in the transaction agreement, to give away \$50 million over five years to grantees nominated by Sallie Mae. The arrangement presented problems because the Foundation was establishing itself to focus on the issue of access to higher education. Making \$10 million in grants each year to organizations that had less to do with the access mission could cause public confusion.

Board member Richard J. Ramsden proposed a solution: “Rather than having to approve annually \$10 million, grant by grant ... why not give away all the money, at a discount rate, in one shot?” Foundation staff refined the idea in consultation with Marcus Owens, a Washington, D.C., attorney and expert on foundation law. As chair of an Indianapolis community

foundation at the time, Lamkin understood the advantage of donating \$42 million (discounted from the original sum of \$50 million because of the early disbursement) in appreciated Sallie Mae stock to a donor-advised fund at a community foundation. Owens researched



Dick Ramsden and Martha Lamkin

possible philanthropies and learned that the Community Foundation for the National Capital Region, located near Sallie Mae’s headquarters in Reston, Va., already had a working relationship with the company.

The grant “simply made good sense,” concluded Lamkin. In addition to enhancing Lumina’s ability to pursue its specified mission, it bought time for staff members to consider a range of grant-making opportunities. Federal law specifies that a foundation must generally give away 5 percent of its assets annually. By donating \$42 million to the community foundation, Lumina more than fulfilled its first year’s legal obligation. “It

solved a lot of problems,” said Ramsden. “Rather than very rapidly having to give away millions of dollars, we had a cushion and could make grants more thoughtfully.”

Lumina’s board was less in accord over a second financial issue — divesting the Foundation’s portfolio of the remaining 7.2 million shares of Sallie Mae stock. The rationale for selling the stock was based on two arguments. First, Lumina was sensitive to the perception that the Foundation was linked to the student loan industry. Second, Cambridge Associates LLC, the Boston consulting firm that Lumina hired to help set its financial strategies, strongly recommended a broadly diversified portfolio. Championing this point of view was board member Norris Darrell Jr., who noted that diversification at an early date is appropriate for nonprofit organizations. “I pushed the (board’s) finance committee to sell the Sallie Mae stock,” he said.

The arguments for holding the stock were also compelling. The sale agreement between USA Group and Sallie Mae included firm language on when and how Lumina could sell its stock. Any early divestiture required a renegotiation of the contract. At least one board member objected to the Foundation’s decision to “renege” on the agreement. Another



“Rather than very rapidly having to give away millions of dollars, we had a cushion and could make grants more thoughtfully.”

concern was that the value of the stock might dip — thus adversely affecting the portfolios of all shareholders — if a block of several million shares were sold in a single transaction. Finally, the stock was on the upswing, having enjoyed a 61 percent surge in 2000, which strengthened the argument that Lumina had much to gain, literally, by holding its shares.

On Feb. 26, 2001, the Foundation sold 7.2 million shares of Sallie Mae stock to Goldman, Sachs & Co. for \$69.47 per share. Sallie Mae stock fell by 4.8 percent as a result

of the bulk sale but quickly regained its value and continued to climb. This dip prompted some to express opinions that the Foundation should have held on to its investment and reaped the benefits. Supporters of the move pointed out that the sale enabled Lumina to use the proceeds to purchase other diversified investments. “And that’s exactly what we did,” said J. David Maas, senior vice president and chief financial officer.

Preparing a home

Another bit of business that required early attention was the legal separation of Lumina and USA Funds. As a guarantor of student loans, USA Funds was required by federal law to remain a nonprofit corporation. It emerged from the USA Group-Sallie Mae transaction with a legal tie that gave Lumina Foundation some responsibilities for USA Funds, including the election of its trustees. Lumina, anxious to focus on its philanthropic mission, separated itself from USA Funds in a legal transaction that involved no exchange



of money but left the two organizations totally independent of each other.

Just as Lumina had no interest in overseeing the operations of an unrelated business, neither did it want responsibility for the historic building that was to serve as its headquarters. The old L.S. Ayres building just south of Monument Circle, once home to Indiana’s first department store and later home to USA Group, was part of the assets

The old Ayres building at Washington and Meridian streets became “30 South” and remains Lumina’s home.

sold to Sallie Mae. The company offered the building to Lumina at a bargain price, but “we knew we weren’t going to use more than one floor, so we would become landlords,” recalled Maas, whose duties included property oversight. Preliminary efforts to find alternative office space ended when Sallie Mae agreed to lease the seventh floor to the Foundation and later sold the building and transferred the lease to Kite Realty Group Trust.

With loose ends tied and problems resolved, Lumina Foundation was ready to turn its full attention to shaping its staff, refining its mission and building its identity as an organization dedicated to improving higher education access and success.



One on One

... with John N. Gardner

John N. Gardner is a senior fellow of the National Resource Center for the First-Year Experience and Students in Transition at the University of South Carolina, an organization he founded in 1986. Currently he serves as executive director of the Policy Center on the First Year of College in Brevard, N.C. He is recognized as the initiator of the international reform movement in higher education to improve the freshman-year experience.

How did you first become aware of Lumina Foundation?

I never sought a foundation or federal grant of any kind until very late in my career. I always found other ways to finance my work. In 1999 I began to ease into the foundation world and discovered that the number of people in the business of making and seeking grants to higher education is really small — almost like a club. So we tend to interact with each other. From about 1999 to 2001, several people said, “John, you need to know about this new foundation. It would be interested in your work.” I didn’t like asking for money; I wasn’t as assertive about it as I should have been. I never made any effort to contact Lumina.

How did you finally get together?

The Foundation reached out to me. In 2001, I got a phone call from Bob Dickeson, the senior vice president. He's one of the savviest guys in the academy. He knows everyone who is doing anything in Lumina's sacred trinity of interest: improving student retention, improving college affordability and improving support for disadvantaged students — the troika. Bob asked if I'd be willing to serve on an advisory board. I said "yes," but wondered if my serving on such a board would pose an insurmountable conflict of interest if I ever wanted to ask the Foundation for support. He said, "Absolutely not. The people who serve on our advisory board are exactly the kind of people whose work we might want to support at some point." I saw that as an example of the Lumina culture. This was a foundation that was proactive in going out and finding people with whom it wanted to work. It had a very intentional strategy to identify and cultivate partners.

What were your responsibilities as a member of the Academic Advisory Council?

Most of the people who ran Lumina didn't come out of the higher education world. They were from law, journalism or from other foundations. They knew they needed to learn a lot about the field to get up to speed and be effective grant makers. They took the position that they wanted to find people who could educate them. They asked me to spend some time with the staff in Indianapolis and share my work and ideas. They occasionally called and bounced ideas off me or asked me to review concept papers.

How did you help them create their agenda?

They already had the right impulses. They had a clear sense of who they wanted to be when they grew up. What they lacked was an in-depth knowledge of some issues that they were going to confront — the challenges and problems. They also didn't know what efforts had already been made to achieve their kinds of objectives and who the players had been.

Did you think Lumina's mission was too tightly focused?

No. Lumina came on the scene when other organizations that had been supporting higher education had backed away. Lumina filled a critical void. It didn't just pick up what others had been doing; it found something unique. I remember meeting with Lumina's board and telling them that many foundation boards have limited patience, want to see fast results and are constantly flitting from one thing to the next. My message to them very early was that, if they wanted to do something substantial in their three areas of interest, they had to stay focused. The challenge was to be patient and realize that moving retention, graduation and college participation rates is a hugely complex issue. They weren't going to see results overnight.



Growing Pains



“Access was always the goal, but for some, ‘access’ meant scholarships and helping kids pay for college. It took us a while to understand we really couldn’t make a dent in that. We’re not big enough. We redefined ‘access,’ brought in the word ‘success,’ and saw where we could have an impact.”

JIM LINTZENICH
Lumina Foundation Board Member

Chapter 3

Growing Pains

For the handful of employees who constituted Lumina’s start-up staff, launching the Foundation was a lot “like birthing a baby,” according to veteran administrative assistant Pam Griffin. Three factors helped ease the labor. First, executive team members adopted many of USA Group’s existing policies — changing names here, striking paragraphs there — with the understanding that they could further refine the procedures when the dust settled. Second, Sallie Mae agreed to provide several months of basic services that included mail operation, technology, a phone system and photocopying services.

Third, the staff's temporary quarters were just two floors above what was to be the Foundation's permanent home. This proximity prompted ongoing guidance by the future occupants who wandered the renovation site during breaks and weighed in on its design and decor.

“We built the space at a very cost-effective price,” noted Shelley Lloyd, director of human resources and facilities. “As things started to come together, some of us wondered if its aesthetics were too opulent for a foundation. We didn't want people to walk in and raise their eyebrows.” Much of the uncertainty related to the staff's inexperience at running a national philanthropy. What should a foundation look like? How many departments were likely to evolve? What kinds of conference areas would they require? Not every decision proved correct. Years later, Lloyd would walk the halls and think: If we ever do this again... “As an example, we originally envisioned the library as a central hub,” she recalled. “Later, we thought more creatively about information-sharing. Technology took it to a new level, and the library was hardly used.”



Shelley Lloyd

Staff members, formerly “specialists” in USA Group's workforce of 3,000, were now generalists with a broad range of responsibilities. They set off in various directions to pursue learning opportunities that would prepare them for their new duties. Several signed up for “boot camp” training that the Council on Foundations offered. A three-person delegation led by Susan Conner flew to Philadelphia to visit Pew Charitable Trusts to hear about the grants-management system that Pew had developed in collaboration with the MacArthur Foundation and Lilly Endowment. Pew officers agreed to “sell” that software to Lumina for the lofty sum of \$1, and they made available the system's designer for consultation.

Conner also was among a group that drove to Battle Creek, Mich., early one November morning to meet with the staff at the W.K. Kellogg Foundation and then break into groups to discuss specific areas of interest. Bob Dickeson and Martha Lamkin went on the road to meet their peers at well-established organizations and to familiarize these peers with Lumina's mission. They also accepted invitations to make presentations at professional

gatherings. “I did dozens of those engagements and enjoyed them,” recalled Dickeson. “It was a way of planting the Lumina flag.”

Extending the learning curve

Help also came from Lumina’s Indianapolis neighbor, Lilly Endowment. William Bonifield, retired vice president for Lilly Endowment’s Education Division, visited Lumina



Dewayne Matthews (left), Bob Dickeson and Martha Lamkin at a Washington, D.C., summit in 2005.

and led a discussion about ways to ensure that the objectives of prospective grantees aligned with those of the foundation. John Mutz, vice chairman of Lumina’s board, called on his former Endowment colleague, Thomas Lofton, to discuss the Endowment’s grants-management system software that Lumina soon would modify for its own use.

Lofton concurred with Pew’s arrangement to “sell” the system to Lumina, and “then he offered to provide (expertise) to help us get started,” recalled Mutz. The generosity of other foundations gave Lumina a powerful grants-management system in short order, even before the Foundation assembled the strong IT team that now supports all of its work.

Some of the most valuable information was gleaned by CFO Dave Maas and Controller Dave Brown as they searched the Internet to locate the annual reports and tax returns of the 50 largest foundations in America. They learned the size of each foundation’s endowment and then studied every line item on that organization’s tax return. “We slowly began to figure out from an accounting perspective what we had to do as a foundation,” said Maas. Familiar practices — holdovers from the old USA Group days — were revised as Maas adjusted to the world of philanthropy. Compensation levels that were in line with the pay scales at banks and insurance companies were tweaked to better reflect compensation levels at similarly sized foundations. Perks, such as bonus plans, were phased away after they were



Dave Maas

deemed inappropriate for employees in the new setting.

The financial practices that the Foundation put in place eventually came under scrutiny when the Internal Revenue Service conducted a thorough audit of Lumina's 2001 and 2002 tax years. Recognizing that Lumina would need guidance in this lengthy and unfamiliar process, the Foundation hired Washington, D.C., attorney Marcus Owens as its representative. Before Owens joined the law firm of Caplin & Drysdale in 2000, he had been the

director of the Exempt Organizations Division of the IRS. In his career with the IRS, he had been involved in administering the very regulations that now governed foundations.

"The whole audit took about 18 months," recalled Maas. "Another six months passed before we received notification that the IRS was satisfied. It was an affirming moment ... we had passed the acid test." Attorney Owens concurred with Maas' recollection. "Lumina's commitment to developing sound, conservative practices and procedures really paid off in the IRS audit," Owens said. "The Foundation was able to address every IRS question with well-documented answers."

Becoming knowledgeable about the regulations that governed the foundation world was just one challenge for Maas. Switching to a foundation mindset was another. "In my previous world, when somebody said, 'Hey, I've got a great idea!' I would respond with, 'OK, what are the benefits? What are the costs?'" he explained. "In philanthropy, it seemed squishier. Now we asked, 'Does the project match our mission? Does it drive us toward where we want to be?'"

Members of the board of directors also were on a learning curve, becoming familiar — and comfortable — with each other, with the staff and with the work of the Foundation. Lamkin initiated a board-development program that included readings on relevant philanthropic topics, seminars delivered by outside experts and site visits to diverse college campuses. Her efforts elicited mixed responses. "We learned that we needed to make opportunities available for those who wanted them," she concluded. "We also had to discover each board member's interests and then serve those interests."

More successful were the meetings that brought the board and senior staff together. These sessions got off to a rocky start when, at the first gathering, a board member bluntly stated, “Well, let’s face it, we don’t know whether or not you guys can run this place.” The attitude improved with the board’s subsequent exposure to the executive team. “Members grew more confident in the judgment, perspective and knowledge of the people we had hired,” said Lamkin. The Foundation’s focus on college accessibility, although not fully clarified yet, provided common ground for both groups. “Everyone cared passionately about the mission,” said Lamkin.

Seeking focus

Some of the enthusiasm for higher education was motivated by personal experience. Several board members shared poignant stories of growing up in the Depression and being the first in their families to attend college. They recalled applying for scholarships, signing up for cooperative programs and juggling part-time jobs to secure tuition dollars. They recognized that the topic of “college accessibility” was broad, could sprout legs and take off in a dozen directions. This led to discussions about how best to define what they wanted to accomplish. “It’s not just about getting students into college,” emphasized Dick Ramsden, who attended Brown University on a full scholarship and later served as his alma mater’s chief financial officer. “As a foundation, we need to know the conditions that lead students to persevere. What are the obstacles to success? In some cases the reason is money, but it also can be family issues or a lack of confidence. This is a very complex issue.”

Because of the issue’s complexity, the board debated how to tackle it. One member characterized public school education, kindergarten through high school, as “deplorable” and urged his colleagues to “start there and kick the tires a little bit.” Another warned against the “tendency to spread ourselves too thin and try to cover an entire waterfront.” Randy Waterfield, an accountant with more than 40 years’ experience, reminded his board

colleagues that “trying to revise the educational system in the United States is well beyond anything we can do.” He added: “Nobody has enough money to accomplish that.”

Some wanted to serve students directly by offering scholarships; others supported a more systemic approach. Some were anxious to get involved in public-policy debates; others saw this as a “slippery slope” that could earn Lumina the undesired political label as a “conservative” or “liberal” organization. In the end, the mission statement that emerged was elegantly simple and tightly focused. The Foundation would direct its efforts to expanding access and success in higher education for all students. Later, the statement was refined to add a special emphasis on traditionally underserved groups, such as students of color, first-generation students and adult learners.

Sprints and stumbles

As clearly articulated as the mission was, the Foundation’s staff and board unanimously agreed to stray from it shortly after the extraordinary events of Sept. 11, 2001. The idea of endowing a modest scholarship fund for dependents of persons killed or permanently

disabled in the terrorist attacks occurred to Susan Conner within hours of the tragedy. She explored the possibility first with Lamkin, who concurred.



Families of Freedom
SCHOLARSHIP FUND®

A plan quickly took shape: Ultimately, Lumina would donate \$1 million outright and then would

provide an additional \$2 million in matching funds. Lamkin started canvassing the board. Chairman McCabe immediately embraced the idea, but thought the target was too low. Calls with other directors over the weekend galvanized support around a grant figure of \$3 million. Conner conferred with officials at Scholarship America, a Minnesota nonprofit organization with a 30-year history of managing scholarship programs, on how to organize such a program.

“I spent Friday, Saturday and Sunday calling board members and saying, ‘Here’s what we want to do,’” said Lamkin. “I vividly remember catching Father Bill (Beauchamp) at about midnight on Saturday after he had conducted late Mass at the University of Notre Dame. To a person, everyone said, ‘Yes, let’s do it.’ If there was any hesitation, it was because some board members wanted to make a larger donation.” The Families of Freedom Scholarship Fund was announced on Sept. 17 and earned instant public support for the cause and recognition for the Indiana-based foundation behind it. Donations poured in; within a year, the endowment had swelled to \$100 million.

“I give Martha and her team a lot of credit for their quick thinking,” said Bonnie Newman, board member. She said that Lumina responded well to a tragic situation and did the right thing, adding: “Secondarily — and this wasn’t their purpose — their actions propelled Lumina into a visible leadership role in the broader higher education community.” It also helped to unify the board and staff as they collaborated in what McCabe called a “shining episode that showed great heart.”

If the scholarship fund cast Lumina in a favorable light in September, a second action made the Foundation a target of intense criticism four months later. On Jan. 7, 2002, Lumina released a 71-page report titled *Unequal Opportunity: Disparities in College Access Among the 50 States*. The report examined the issue of college affordability and ranked 2,800 institutions by their accessibility to needy students. To its credit, the document pushed the issue of college costs to the forefront of national discussion where it belonged. Enterprising journalists across the country localized the report by teasing out the statistics that related to schools in their circulation areas and soliciting comments from campus officials. One publication dubbed Lumina a “spunky upstart” that wasn’t afraid to “muscle” into a national debate.



The *Unequal Opportunity* report sparked criticism — and led to change.

Unfortunately, two major problems drowned out praise for the project. First, the report, prepared by an outside consultant whom the Foundation had engaged, contained more than 100 factual errors. Some schools were misclassified as affordable or unaffordable, leading critics to characterize the research as “shoddy” and rife with “assumption, calculations and estimates.” The second problem was what one education organization called “scarlet letter branding.” The document listed the schools by name and labeled (sometimes mislabeled) them according to their affordability. This led a detractor to hint that schools — mostly private institutions — that suffered from the negative branding might have grounds for a lawsuit. Suddenly the “spunky upstart” was likened to an “800-pound gorilla” running amok.



Bonnie Newman

Lamkin and her team responded immediately. They publicly acknowledged the errors, corrected the information on the Foundation’s Web site, apologized to the schools that were misrepresented, and wrote personal notes to the report’s critics and supporters. Staff relations with the board of directors suffered a setback as questions about leadership and competence resurfaced. Some members, Bonnie Newman among them, were philosophical: “It was regrettable, but the good news is that it sensitized our entire organization to the need to be careful,” she said. “Reputation is critically important, especially if your hope is to have an impact and to influence public policy. You need credibility.”

Fallout from the report eventually dissipated, and the Foundation even drew praise for its forthright way of owning up to its error. The incident’s internal impact led to permanent changes in the shape and work of the organization. “The importance of learning from the *Unequal Opportunity* experience cannot be overemphasized,” wrote Lamkin in October 2002 as part of her individual performance report to the board. “Through the ‘lessons learned’ exercise that I personally superintended, new systems for research production, including external checks and vetting on technical and face validity, were implemented. The message of *UO* still resonates throughout the nation, and the external as well as internal lessons learned have strengthened rather than weakened the Foundation.”



One on One

... with **Jamie P. Merisotis**

As founding president of the Institute for Higher Education Policy, Jamie Merisotis is a leading authority on college and university financing and has published major studies on topics ranging from higher education ranking systems to technology-based learning. He focuses much of his work on improving access to higher education for low-income, minority and other historically underrepresented populations. He currently serves as chairman of the board for Scholarship America.

Your institute receives support from many funding organizations. How was — and is — Lumina different?

What makes it distinctive is its focus on higher education. My sense is that the Foundation gets pulled in different directions. For example, people ask: “How can you deal with higher education unless you address the problems of the K-12 system? What about workforce development?” These are legitimate issues, but the unique space that existed and that Lumina has filled focuses specifically on access and success.

That said, Lumina went “off mission” early in its history when it gave \$3 million to Scholarship America following the terrorist attacks on 9/11. You were on the Scholarship America board at the time. Was that a wise move?

Yes, it was a unique opportunity to put some challenge money on the table, and it turned out to have an enormous leveraging effect. Do I think that Lumina Foundation should be supporting scholarship programs? No, I don't think that is a good role for them. But in this case it was like a beacon that generated about \$120 million in resources! It also was good for Lumina's reputation, and I think foundations should get credit for the work they do. The fact that a foundation is doing good work deserves recognition, not for its intrinsic value, but because it can draw future grantees who have good ideas and may not know about a foundation's work unless that foundation has gotten some attention. So it's not a vanity issue to me; it's about ultimate organizational effectiveness.

As an interested observer, what was your assessment of the fallout from the *Unequal Opportunity* publication?

It was a firestorm, but the Foundation recovered. As a piece of narrowly focused academic research, it was intriguing. What happened was that the people working on it were so convinced that they were going to revolutionize the dialogue about costs that they didn't share it externally. Had they shared it with more people before releasing it, somebody would have said, “You've got to think about the unintended consequences here.”

***Unequal Opportunity* was a contributing factor in the decision to downsize Lumina's in-house research unit and to increase funding for outside research. Your thoughts?**

In the beginning, I liked the idea of the Foundation doing its own research. I liked the idea of there being a voice, an independent foundation, trying to weigh in. It was a different model from what we had seen in most foundations. But the reality was that the work of the Foundation took on importance that the Foundation couldn't handle. Any sort of mistake or anything that might be misunderstood took on gargantuan proportions! Now the Foundation doesn't take (full) ownership of anything its grantees do ... and that's a

good thing. Some kinds of research really should be done by people who are at arm's length from the operation of the Foundation.

Early on, Lumina's leadership was split on whether the Foundation should get involved in policy issues. What is your advice?

I have a biased perspective because I run a policy organization. I think involvement is good because policy is not politics. Philanthropy can help develop ideas, pilot them, test them, etc., but you've got to interact with policy to take most of these ideas to scale. Philanthropy is not going to solve access to higher education in America; there's not enough money. What philanthropy — in this case, Lumina — can do is help think through the effects of certain programs and help develop alternatives, improvement and changes to what those programs are doing based on either innovation that it supports at a grassroots level or through research. I think the movement into policy — and state policy is more hands-on than federal policy — is a useful role for the Foundation.

Note:

On Oct. 11, 2007, Jamie Merisotis was named Lumina Foundation's president and CEO, effective Jan. 1, 2008.



*Defining and
Refining*



“Most foundations have a program staff that does nothing but programs and a research staff that does nothing but research.

We got involved in everything. We wanted people to learn about various aspects of foundation management and life. We wanted their talents and their perspectives.”

BOB DICKESON

Lumina Foundation Retired Senior Vice President

Chapter 4

Defining and Refining

The controversy that erupted with the release of *Unequal Opportunity* may have contributed to Lumina’s decision to revamp its research shop, but other factors came into play as well. From the beginning, the Foundation had announced its intent to be data-driven and to undergrid all of its program activities with solid research. The question was: Who should generate the data? Lumina’s resident researchers were specialized in the area of financial access to higher education, but the Foundation’s work was rapidly encompassing more than money matters. Enlarging the research team to broaden its range of expertise was out of the question because of yet another consideration — employee headcount.

“We became concerned about our administrative expenses,” explained Martha Lamkin. “How much were we going to spend internally versus externally?” She was well aware that the government and media often use administrative overhead as a benchmark in evaluating a foundation’s accountability. If a grant-making organization such as Lumina appears to be top-heavy with staff, it can expect criticism. Building an internal research department with well-qualified and well-compensated personnel drove up the overhead, a fact that eventually influenced Lamkin’s difficult decision to scale back in-house research. More than a year after publishing *Unequal Opportunity*, the Foundation adopted a new model for generating data. Lamkin reported to the board at its January 2004 retreat that the Foundation was “shifting to ‘co-branding’ publications with research institutes and research universities in order to expand impact and lessen costs.”

Strengthening others' work

The plan, once implemented, resulted in benefits beyond saving money. The work, as Jamie Merisotis noted, was done by people at arm’s length from the operations of the Foundation. Lumina could reach deep into the academic community and stimulate interest among faculty and graduate students in countless issues related to higher education access and success. “We saw this as an area of untouched academic investigation,” said Lamkin. Lumina wouldn’t control what these researchers wrote, but it could decide later whether or not to affix the Foundation’s name to it. Importantly, “we would be strengthening the work of people external to Lumina,” she concluded.

There still was a need for in-house expertise to determine the kind of data the Foundation sought. Someone had to identify and interact with potential academic investigators, set the agenda and critically read the research that Lumina supported. Enter Dwayne Matthews, senior research director. “The decision to go to the new model had been made before I came,” recalled Matthews, whose background in policy organizations

added an international dimension. “When I joined the staff, the question was, ‘How do we structure the research work?’ We decided that the reason Lumina supports research is the same reason Lumina supports its program work: to advance the mission. So, we moved to a grants-based approach. We developed a research agenda, posted it on Lumina’s Web site and distributed it to researchers in the field. We invited them to submit proposals related to our five or six areas of particular interest. This is similar to our grant-making style.”

Matthews also reconstituted the research advisory committee that had been formed before *Unequal Opportunity* but had later disbanded. For this updated version, he recruited representatives from a wide variety of organizations.

About a third of the 15-member group came from the higher-education research community; another five or six came from policy organizations and national foundations; the rest were enlisted from the ranks of college presidents, chancellors or other campus administrators. The panel’s task was to interact with staff about the important questions that lent themselves to investigation.



Dewayne Matthews

“One thing that impressed me about Lumina right from the start was that this was a foundation that was not going to fund small, institutional-based research projects,” recalled Vincent Tinto, distinguished professor of education at Syracuse University and the only



“One thing that impressed me about Lumina right from the start was that this was a foundation that was not going to fund small, institutional-based research projects.”

person to serve on both the first and second advisory groups. “Lumina was very clear in saying it wanted to fund projects that had leverage and had potential for larger impact. That was refreshing because so many researchers look at little projects that aren’t transferable.”

Transferability, from Matthews' point of view, meant that the research Lumina supported had practical application and provided blueprints for action. "This is a success-, outcomes-oriented approach," he explained. "It's a way of moving from 'what we know' to 'what we do.' People can use the evidence and data that we offer to drive the decision-making process. That became our model."

Shaping and reshaping the staff

The research department wasn't the first or last area to undergo changes in size and direction in the three years following the Foundation's launch. The vice president for evaluation resigned, and that position remained vacant for a year and a half as the executive team explored a range of options and models available to them. Other efforts to reshape the staff proved emotionally difficult. Initially Lumina had hired several persons with specialized skills to build its operating infrastructure. These employees had been



Grant-making work ramped up, creating leadership openings in the program department.

instrumental in organizing internal operations and putting in place the Foundation's administrative systems. Once these needs were met, staff requirements shifted. Grant-making work ramped up, creating leadership openings in the program department. As assets increased, so did the number and dollar value of Lumina grants. In 2002, the Foundation awarded 90 grants valued at less than \$22 million; the next year the number grew by almost 50 percent to 132 grants with a dollar value of some \$31 million. No one doubted that the upward trend would continue.

“We had to do something,” said CFO Dave Maas. “Our total workforce needed to stay about the same size, which meant we had to eliminate some administrative positions even as we created others.” The downsizing adversely affected employee morale. The Foundation’s start-up staff had been small and closely knit, drawn together by the shared purpose of launching a new organization. “It was very painful to make the cuts,” said Maas. “These were people — many in my area — who had been with us from the beginning.”

The challenge of finding veteran program officers rested to some extent with Lamkin and Conner because of their contacts in the grant-making world. Both had surveyed the marketplace and had identified two candidates who had the knowledge, skills and experience that Lumina needed. Unfortunately, the prospects were employed at other philanthropies — Sam Cargile at the New York-based Wallace Foundation and Leah Austin

at the W.K. Kellogg Foundation in Battle Creek, Mich. Conner approached them and discovered that Cargile was eager to relocate to the Midwest. Austin was nearing retirement and was intrigued by the opportunity to work for a smaller, start-up foundation. Cargile joined the staff in October 2001 as a senior program director, and Austin signed on 14 months later as a senior vice president.

“Martha and Susan gave me three specific tasks,” recalled Austin. “I would train young staff members, help

map the Foundation’s grant-making process, and take on a long-term strategic initiative (focused on community colleges). I was at a stage in my professional life where I didn’t need notoriety or credit. I just wanted the chance to help a foundation develop, so it was perfect for me.”



Sam Cargile



Leah Austin

Built by committee

With the addition of new employees, job descriptions changed, and duties shifted — sometimes in trial-and-error fashion, often to expand experience. Austin initially took responsibility for programs and research, and Conner concentrated on communication and evaluation. A later reorganization would send evaluation to Austin and research and policy to Conner. The ongoing experimentation was all part of an effort to determine what combination of talent worked best. “In a new organization, you have to like ambiguity,” explained Conner. “Things continually changed in order to get them right. It was like a cell dividing. As the jobs got too big, we had to divide the cell and get the right people in the right slots.”

Besides recruiting persons with the requisite skills and assigning them to the logical slots, Lamkin wanted to build a workforce that was “effective, entrepreneurial and collegial.” She had a strong interest in organizational development, was well versed in literature about team-building, and saw Lumina as a rare opportunity to create a professional culture unlike the traditional top-down hierarchy in many older organizations. She advocated employee participation in the decision-making process and hoped to create an environment in which the staff felt comfortable voicing their opinions.



Jill Kramer

“Martha wanted Lumina to be the kind of place where we could walk into her office and ask her a question without going through her assistant,” recalled Jill Kramer, a member of the original program staff. “She made a deliberate effort to switch the culture of the organization from a corporate bureaucratic model — from which many of us came — to a more collegial environment that was less hierarchical.”

Lamkin took two actions to create momentum for the “open culture” she envisioned. First, she hired consultant Charlotte Roberts, who brought in colleagues David Kantor and

B.C. Huselton to lead staff seminars on decision making, consensus building, structural dynamics and communication. (Roberts would return periodically over the years to work with the executive team and with the staff.) Second, Lamkin formed the “culture club,” a committee of four employees who met periodically to discuss how a participative, open culture might function at Lumina. The culture club evolved into LEAP, an acronym for Lumina Employees Affecting Progress, and eventually “ran its course,” according to member Shelley Lloyd. One of the group’s early accomplishments was to create a document that defined an open culture. The definition made it clear that Lumina’s open culture would be flexible and participatory, but it didn’t suggest that the Foundation would operate by mob rule.

“Opinions are solicited and feedback is valued,” wrote Bob Dickeson in a draft intended to solicit opinions and feedback. “Involvement by employees in key decisions is encouraged so that overall buy-in is improved, and decisions are of higher quality. Employees are empowered to act without undue supervision or scrutiny. Trust is assumed.” Dickeson included a key caveat — ultimately, Lumina’s board of directors had final,



“It was like a cell dividing. As the jobs got too big, we had to divide the cell and get the right people in the right slots.”

legal authority for the Foundation — and acknowledged that an open culture can have a “dark side.” He warned that the desire to optimize participation can lead to inaction. This sometimes proved to be the case as the staff attempted to put into practice their new skills.

“There was a lot of ambiguity about who got to make a decision and when a decision was final,” recalled Kramer. “People wondered, ‘Is it a democracy? If someone doesn’t agree, do we keep rehashing an issue?’ It would have been a lot quicker if one of the executives had said, ‘This is how it’s going to be’ rather than have meeting after meeting to make a decision. The (lack of) speed with which decisions were made was frustrating for employees

who had to meet deadlines or who didn't have this kind of work style. They just wanted to get things done.”

Eventually the “open culture” evolved into the “Lumina culture” and settled into a kind of “learning culture” that encouraged participation but recognized authority. “We still invite various voices to the table,” noted Lloyd in 2007, “but we realize that there are decision makers within the organization who are comfortable stepping up and saying, ‘Thank you for sharing; now here’s the decision.’” The early experimentation that took place and the training that motivated it had a positive and lasting impact, according to Lloyd. “I’d like to think that Lumina can sustain and build on its current culture because much of the progress that we’ve made toward achieving our mission is because of the culture. It’s obviously a good way of doing things.”



Staff members Suzanne Walsh (left), Jill Wohlford and David Cournoyer at a staff-board event in 2007.



One on One

... with Charlotte Roberts

Charlotte Roberts is an executive consultant, speaker and co-author of several best-selling books. President of Blue Fire Partners Inc., located near Charlotte, N.C., she focuses on the sustainability and competitiveness of corporations and nonprofit organizations and designing and implementing strategies for change.

What was your initial assessment of Lumina when you were hired as a consultant? How was it different from your other clients?

Typically I'm called in when an organization is dysfunctional or when there's been a change of leadership. Neither was the case with Lumina. Martha Lamkin, Susan Conner and Bob Dickeson had visited other foundations and had come back saying, "We'd like to build a different model." They wanted to develop a learning culture and create Lumina as a learning hub. Martha was clear from the beginning that she understood that the Foundation's mission was higher education, and she wanted the culture to reflect what higher education could be. That was unusual.

What is your definition of a learning culture?

It's a culture that is mission-driven; its people strive continually to learn what needs to be learned to advance the mission. Many organizations are not designed to learn because they operate as silos. Lumina has worked hard on getting the big picture. A learning organization capitalizes on the capabilities of the people inside the organization and the capabilities of the people it serves. It says: "You're worth something. You have a voice." It's based on a shared purpose, high-quality relationships and honest conversation. The latter is critical because the only way a thought can move from one person to another is through conversation. My role is to help people hear each other. I teach them how to disagree respectfully. They learn ways to have conversations that they need to have although they may not want to have.

Are there negative aspects to inviting an entire organization to join in these conversations?

Yes. In the beginning Lumina was small, and everyone participated in all sessions. The bad news was that we created the expectation that every individual should be included in every decision. So, we had to backtrack and make clear that there is still accountability in a learning culture. A supervisor can listen to a staff member's opinion on an issue, paraphrase it to show understanding, and then make a decision that is contrary to the opinion. That doesn't mean that the supervisor didn't learn something from the staff member's comments. The other negative aspect of being overly inclusive is that it can cost too much time. People can listen too long before getting on with making a decision; they can keep getting input and then have to scramble to make a deadline.

What about employees who don't want to participate in culture-building activities?

That's fine, as long as they don't get in the way. It's important to have 100 percent of the top leadership buy into the concept. If there is dissension at the top, that dissension will amplify as it goes down through the system until you reach a tier of people who won't even talk to each other. Concrete walls with barbed wire on top can go up between them. You

rarely get 100 percent participation after you get past top management. You generally find some people who want to be good soldiers, do their jobs and go home.

You've worked with Lumina for several years. Has the Foundation's culture developed to the point that it has become part of the organization's DNA?

Some skills are institutionalized. Staff members listen to each other very well. They see each person's talents and recognize ways to develop those talents. They are good at strategic planning, and they have a positive relationship with their board. More than mastering a set of skills, the staff has developed a philosophy of working with grantees, with universities, with their board and with each other. People know what their jobs are and they do them. Now they're beginning to ask, "Can we have fewer meetings and just do the work?"



*Doing the Work,
Telling the Story*



“I didn’t know a lot about grant making in the beginning, but now I’m getting more involved — we all are. My passion is access, particularly access issues that affect minority and low-income students.”

MARIE McDEMMOND

Lumina Foundation Board Member



Chapter 5

Doing the Work, Telling the Story

An early e-mail message, sent by Vice President Jerry Davis to all staff members, articulated the pressure that Lumina program officers felt as they stepped up the Foundation’s grant-making activity. Davis offered a “quote of the day,” credited it to Aristotle (*Nicomachean Ethics, Book IV*), and suggested that the timeless words might serve as Lumina’s goal:

“To give away money is an easy matter and in any man’s power. But to decide to whom to give, and how large and when, and for what purpose and how, is neither in every man’s power — nor an easy matter. Hence it is that such excellence is rare, praiseworthy and noble.”

With a legal obligation to award tens of millions of dollars in grants each year, the Foundation looked for ways to spark interest in its work and generate grant proposals that could yield “rare, praiseworthy and noble” results. Lumina’s only major grant program that carried over from USA Group Foundation was College Goal Sunday, an initiative launched in 1989 by Lilly Endowment and the State Student Assistance Commission of Indiana to offer low-income families help with filling out financial aid paperwork. During Lumina’s start-up phase, College Goal Sunday was the closest thing the Foundation had to a signature program; however, as the organization matured, the staff recognized the need to explore more complex opportunities that could change entire education-delivery systems.



To build relationships with the leading thinkers on postsecondary access and success, the Foundation invested \$5.1 million in four grant programs that had the potential for national impact. These “Hallmark Grants,” awarded between February 2001 and January 2003, put Lumina in touch with experts in the field and created funding partnerships with philanthropies such as The Pew Charitable Trusts and the William and Flora Hewlett Foundation. The programs were in keeping with Lumina’s mission in that they sought ways to help institutions improve student success in college. These programs also stressed the effective use of data to analyze practices and guide change. Grantees and their project goals were:

- The Indiana University Foundation — to document the effective practices of schools that scored well on the National Survey of Student Engagement (NSSE).

- The University of Texas Foundation at Austin — to develop the Community College Survey of Student Engagement (CCSSE).
- Brevard College’s Policy Center on the First Year of College — to establish standards of excellence for programs that support the freshman year of college.
- Syracuse University — to study the effects of academic assistance programs on underprepared and underrepresented students.

“The Hallmark Grants were early efforts to become familiar with the arena in which we would operate,” explained Susan Conner. “We wanted to identify the key players, learn what they knew and earn a place at their table. We did this by attending their conferences and supporting promising work.”

The collegial relationships that formed during the Hallmark Grants period endured long after the data were tabulated and the results disseminated. Project personnel went on to serve on Lumina advisory panels and helped spread the word that this philanthropic



*“We wanted to identify the key players,
learn what they knew and earn a place at their table.”*

newcomer took a fresh approach to grant making. “Lumina program officers aren’t pretentious or condescending,” observed John Gardner, who led Brevard College’s Policy Center study. “Often, when a researcher courts money, he loses some element of dignity. I’ve never come out of any transaction with Lumina feeling that my self-esteem has been diminished. The staff assumes that you are worth talking to and that you have something to offer them. They show a willingness to reach out and say, ‘Help us think this through; give us the best ideas that you have.’”

Measuring effectiveness

The traffic between the Foundation and the larger philanthropic world quickly became two-way. Just as outside researchers and higher-education leaders agreed to serve on Lumina advisory panels, so did Lumina staff members accept invitations to sit on committees of the Council on Foundations, the Center for Effective Philanthropy, Grantmakers for Education, the Indiana Grantmakers Alliance and similar organizations. Donating staff time and talent to professional groups became part of the Foundation's conscious effort to earn visibility among its philanthropic peers and work shoulder to shoulder with them on collaborative projects.



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As a strong proponent of evaluation, Lumina also looked for ways to measure its performance as a grant maker and to document its progress toward becoming a well-known and valued member of the grant-making community. Specifically, it engaged outside consultants — on at least five occasions, the Center for Effective Philanthropy (CEP) — to conduct surveys of Lumina grantees, board members and employees, as well as a separate survey of outside opinion leaders. The surveys were repeated periodically so staff could compare results over time. Staff members were encouraged by random comments, often scrawled in longhand, such as these from the 2006 Grantee Perception Report, prepared by CEP:

- “It helps to have Lumina Foundation’s name attached to our organization.”
- “I was impressed with the Foundation’s willingness to work with us on the grant application.”
- “The Foundation provided us access to experts in the field that we never had access to before.”
- “Our program officer and the evaluation staff at Lumina have been extremely helpful as we are beginning the work.”

Members of the board of directors received the results of the surveys and viewed them as indicators of Lumina’s progress in building its reputation and serving its “customers.”

Designing strategies

Just as the Hallmark Grants yielded multiple benefits and helped put Lumina on the map, so did two other early Foundation grant clusters. The first, simply labeled “Indiana-based initiatives,” was part of Lumina’s original grant-making plan to set aside 10 percent of each year’s payout for projects within the Hoosier state. The

M^cC A B E F U N DSM

second, the McCabe Fund, originated in 2002 as a tribute to retiring board Chairman Ed McCabe, who understood the need for far-reaching research grants but also favored modest programs that directly served students of color, first-generation college students and children in low-income families.

“The Indiana-based initiatives were a way for us to say to the local community, ‘Here’s what we do,’” explained John Mutz. Responsibility for the program rested with Jill Kramer, who likened the state to a “laboratory” and encouraged grant proposals for programs that might be tested in Indiana and then exported to other locations. As an example, in 2002



and 2004, Lumina awarded grants of \$100,000 to 15 Indiana campuses and invited them to experiment with strategies to improve persistence rates among underserved students. The results — successes and failures alike — were published in the Foundation’s magazine *Lumina Foundation Lessons* and shared with college and university administrators across the country.

The McCabe Fund offered Lumina the opportunity to make short-term grants of up to \$100,000 to support activities that directly affected students in middle school, high school and beyond. Although the fund was named for Ed McCabe, it responded to the wishes of several board members who shared McCabe’s interest in reaching out to individual students. The grants represented an investment of \$8 million between 2002 and 2006 and produced warm, personal stories about youth who were successfully matched with mentors, helped by academic tutors, invited to tour university campuses, and bused to college and career fairs.

“We learned that the most successful programs were those that took a holistic approach to the students,” noted Jeanna Keller, hired in 2002 to manage the McCabe Fund grants. “These were programs that did whatever was necessary to get students into college. If that meant driving the teens to take their SAT or placement tests, someone would do that. The grantees took a personal interest in the students, got to know them and served as advocates for them.” As an example, a McCabe Fund grant to Boston Public Schools expanded a program called COACH (College Opportunity And Career Help) that placed Harvard University graduate students in inner-city schools to guide youth through the daunting process of college admission. “One year we made grants only to urban populations,” said Keller, explaining the range of McCabe projects.



Jeanna Keller

“Another year we made grants to programs that served a critical number of African-American males.”

Taking a portfolio approach

With the expanding grant-making activity, Lumina’s staff and board recognized the danger of becoming fragmented. “The key was for us to stay focused, try to make a difference and hope that our early decisions were right,” said Bonnie Newman. “If our decisions were wrong, we would not have maximized the opportunity. If they were right, then we potentially could hit a home run.”

Staying focused meant that all grants had to relate to higher education access and success; that was a given. Within that broad description were grant programs of various types, sizes, values and risks. Some required years to unfold; others matured quickly. Some involved major commitments of funds with no assurance of success; others supported proven programs that were likely to thrive but unlikely to break new ground. Rather than limit Lumina’s efforts to a single, narrow category of grants, Martha Lamkin proposed that the Foundation take a portfolio approach to its grant making, much the same as it took a portfolio approach to investing. Diversity was the operative word.

“The board agreed to maintain a grants portfolio that would contain systemic grants, direct-service grants and a middle category that would help bring proven, direct-service models to scale,” said Susan Conner. “This approach allowed us to spread the risk across the portfolio.” By definition, systemic grants had the potential of far-reaching impact but could be costly and risky; direct-service grants typically supported small, high-touch programs in localized geographic areas; and scalable grants enabled model programs to build their infrastructure and thereby expand their reach.

The portfolio approach that proved so workable in the investments and grant-making areas also suited other facets of the Foundation’s operations. With the shifting model of the

in-house research department, Senior Research Director Dewayne Matthews managed a portfolio of research projects conducted by outside researchers. Publications Director Dave Powell and his communication colleague, Teresa Detrich, managed a portfolio of print and electronic communication projects typically assigned to freelance journalists. Buoyed by the success in these departments, the executive staff explored the idea of handling evaluations in a similar way. The position of vice president for evaluation had been vacant for 18 months as Lamkin and her team debated between two accepted models for conducting assessment. One was an audit-like approach that had the program staff and the evaluation staff working independently of each other. On a separate but parallel track, the evaluator stepped in, conducted an assessment and delivered the results.

“The negative aspect of that approach was that it erected a firewall between the evaluator and the program officer and could easily put them at odds with each other,” explained Conner. “After attending meetings of professional evaluators across the country, we decided to go with a second, more collaborative approach. This model assumes that the purpose of evaluation is to help a program improve. It creates a learning partnership between the evaluator and the program staff.”

Mary Williams, who had served the Foundation as a consultant during the 18-month interim period, joined the staff as senior evaluation director and accepted supervision of the portfolio. “There is no way that we could do all of the evaluations in-house,” she said, describing the workload that she shares with an assistant. “We plan evaluations, secure evaluators, manage evaluation grants and sit on the grant-making teams. We attend a lot of meetings.”

Streamlining the process

If there was a negative side to the Foundation’s expanding grants portfolio, it was the time required to sort through the volume of inquiries and proposals. In keeping with

the “open culture” philosophy, many staffers had the opportunity to weigh in on every project idea that arrived — solicited or over the transom. This led to numerous sessions and long discussions that often ended without resolution. “We would have three- and four-hour marathon meetings to review 30 proposals,” recalled Tina Gridiron Smith, senior program officer. “We weren’t reading three-page letters of inquiry; we were reading 10- to 20-page, full-fledged proposals from nonprofit organizations. We might have 12 people in the room, and 11 would say ‘no’ to a proposal and one might say ‘yes.’ Then we would have a lengthy conversation that would end with an 11-to-1 vote. We weren’t sure who had veto authority.”



Tina Gridiron Smith

With input from Leah Austin, whose arrival from the Kellogg Foundation added the perspective of a veteran grant maker, Lumina streamlined its approach. An intake coordinator weeded out the proposals that didn’t fit the Foundation’s mission; staff members were assigned to either the Access Team or the Attainment Team, thus dividing the workload; the teams specified that they would first consider three-page letters of inquiry before they requested full proposals from potential grantees. Prior to the monthly meetings, everyone read the inquiries and posted comments and recommendations on an electronic spreadsheet. By the time the teams convened, members were ready to recommend that a grant request be declined or sent to



Pam Griffin

the executive team for approval. The improved process boosted efficiency, clarified roles and encouraged further refinements. “We continually asked ourselves: ‘Is there a better way to do this? Is there a better use of our time?’” said administrative assistant Pam Griffin.

A less difficult challenge was mapping a communication plan to inform the public about what Lumina was learning regarding persistence and to share results of various grant programs. This was familiar territory for at least two staff

members. After a career spanning 15 years in teaching and broadcast news, Susan Conner had directed the communication efforts at Lilly Endowment and USA Group for a total of 15 years, and Dave Powell had been a reporter, columnist and editor at *The Indianapolis Star* newspaper for 22 years before joining USA Group. They had the support of board and staff members as they envisioned the ways that communication would fortify and articulate the Foundation's work.

"Right from the beginning our mantra was that we would produce hard-hitting, practical, applied research that people could use," said Bob Dickeson, who, as a former university president, understood the need for tightly written, pragmatic resources. "These were not to be theoretical or high-and-mighty kinds of things."

Striking the right balance

A publication carryover from USA Group Foundation was the *New Agenda Series*, which presented original research conducted by independent scholars on issues affecting

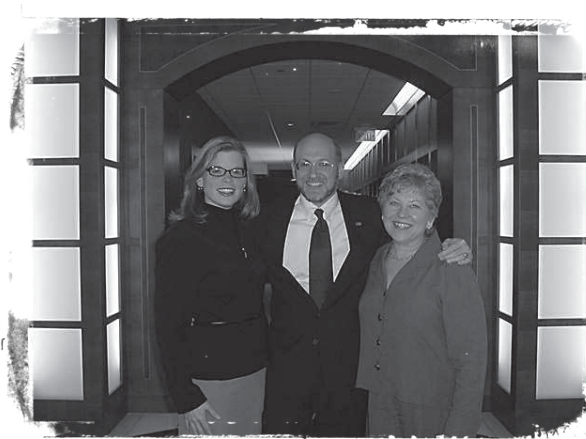
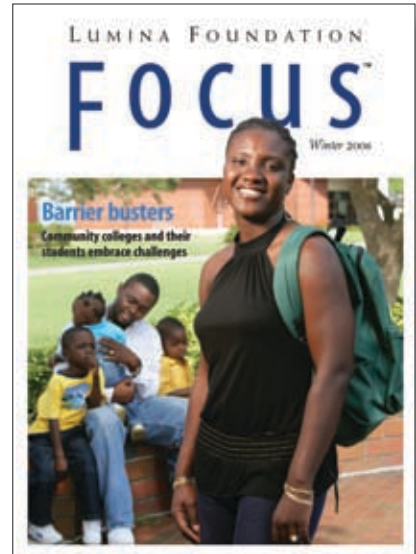


higher education. Each monograph contained numerous pages of findings as well as endnotes, references, charts, tables and biographies of the authors. For readers who might prefer summaries of these lengthy reports, Lumina introduced *Illuminations*, described by Conner as a sort of CliffsNotes® version of the *New Agenda Series*. These were two-page synopses of the research presented in a colorful, quick-read format.

To underscore the Foundation's strong commitment to evaluation, Powell created *Results and Reflections*, which offered an abbreviated look at grant program outcomes. As a vehicle for telling the stories behind these program outcomes,

Lumina Foundation Lessons was introduced in spring 2007. Rounding out the print products were the annual report and *Lumina Foundation Focus* magazine, a glossy feature publication distributed at least twice annually to more than 30,000 addressees, including grantees, members of the higher education community, policymakers, grant seekers and other grant-making organizations.

“It’s a balancing act,” said Powell about the challenge of giving readers salient information without telling them more than they want to know. “We didn’t set out to be the first thing on the lips of the American reading public. A lot of our material will never attract a wide audience, but we’re building a readership because of the growing importance of higher education to the future of the country. We’re in a position to be listened to because of what we talk about, not because we talk about it so well.”



Sara Murray, Dave Powell and Teresa Detrich

Augmenting the various print publications were the Lumina Web site, introduced in 2001, and the electronic newsletter, launched in 2003. Teresa Detrich, director of electronic communication, assumed main responsibility for both of these vehicles, joining Powell and Sara Murray to form a three-person communication team under Susan Conner. In its first

year the Web site logged 30,000 visitor sessions; by 2006, that number had jumped to 94,000. The e-newsletter began with 5,000 subscribers and by late 2007 was serving more than 13,000.

“The principles of communication never change,” said Conner. “We always ask, ‘Who is our audience?’ and ‘What is our purpose?’ Another principle to remember is that some people respond to data, others respond to stories. So we do both. We try to communicate in the ways people receive information.”

An evaluation of the Lumina communication program, undertaken in 2003 shortly after the distribution of the first full-scale annual report and the premier issue of *Focus* magazine, indicated the approach was successful. When compared with publications from 23 peer foundations, Lumina’s efforts fared well. One evaluator rated the Foundation’s annual report fourth among the 17 foundations that published similar documents. *Focus* magazine topped the list of foundation magazines, and the Lumina Web site ranked second among the peer group. Each assessment included suggestions for improvement, which Powell welcomed.

“I need input from others,” he said. “Involving people inside and outside the Foundation makes the work better. It doesn’t always make the work *easier*, but it makes the product better ... and that’s our goal.”

Efforts to reach that goal clearly paid off in the Foundation’s formative years. The Council on Foundations, which annually cites the best communication efforts by the nation’s largest foundations, selected Lumina for four top awards in seven years.



One on One

... with **Richard Lee Colvin**

As director of the Hechinger Institute on Education and the Media at Columbia University, Richard Lee Colvin works to promote fair, accurate and insightful coverage of education by journalists who work for the nation's leading publications and broadcast outlets. Before joining the institute's staff, Colvin covered education for *The Los Angeles Times*, *The Oakland Tribune* and *The Daily Review* in Hayward, Calif. In 2005 he conducted an extensive evaluation of Lumina's media-outreach program.

How would you describe the public's appetite for news about higher education? Do people actively seek out information about postsecondary issues, or is it a tough sell?

We've managed to get the message across to Americans that they need some kind of postsecondary education or training to be successful today. Because of this, there seems to be an appetite for consumer information. People want to know, for example, "How do I get into college? How much will it cost me? How can I finance it?" Unfortunately, what is less

known is that a lot of students go to college and then drop out. This means that there's a lot of work to be done to make people aware of what it takes to succeed in higher education.

How difficult is it for a new organization such as Lumina Foundation to attract media attention and build a reputation as a dependable source of education-related information?

It's very difficult. These days a lot of foundations are popping up here and there, so the challenge is to cut through all the activity, clearly articulate your purpose and communicate how your work is different from the work of others. What has distinguished Lumina is its persistence. Lumina is very focused on its priorities — access, success and adult learners. A lot of foundations don't stick with a single purpose. Their boards of directors lose interest, think they've finished with one issue, and they move on to another. Just about everybody I deal with today knows Lumina's agenda and recognizes the Foundation as one of the largest funders in higher education. I think that's a remarkable track record for seven years.

From the beginning, Lumina wanted to position itself as a national foundation and attract coverage in the national media. Was it a disadvantage being based in the Midwest, or has technology made location a moot point?

At first it was a curiosity that there was this foundation in the middle of Indiana that was trying to do significant work in the area of higher education access and success. But because it has acted nationally, organized major conferences and events on the East Coast and West Coast and has funded researchers all across the country, I don't think people care about where Lumina is located anymore. It doesn't matter.

What are your thoughts about electronic communication? Has technology made it easier or more difficult to convey in-depth information about education?

Easier, I think, although people talk about two competing trends. Some say that the 24-hour news cycle, the presence of blogs and other alternative forms of communication have dumbed down information. They point out that consumers want information that is quick rather than comprehensive or analytical. Other people argue that the Internet gives

people direct access to information that would have been unthinkable 10 years ago. As a journalist, I can find just about everything that I need online. I can come up with different reports and different views that will guide my reporting. The danger is that reporters may stop talking to people. That would be a mistake.

What advice would you offer an information provider, such as Lumina, to ensure that its communication program stays current and is effective?

Going forward, it's really important to stay abreast of all the changes that are occurring in the media industry — the downsizing of many newspapers, the sales of newspapers to non-family owners, the increased use of video and audio clips in news reporting. Also, in an organization such as Lumina, the communications operation should always report directly to the chief executive officer and should be part of the organization's overall strategic approach. To its credit, Lumina has recognized that it's not enough to create knowledge. Knowledge has to be communicated.



*What's the
BIG Idea?*



*“We have three excellent initiatives in the works:
Achieving the Dream, Making Opportunity Affordable
and KnowHow2GO. I’m excited about what we’re
doing here at Lumina. I think we have a chance
to make some wonderful things happen.”*

DICK RAMSDEN

Lumina Foundation Board Member



Chapter 6

What's the BIG Idea?

No one can pinpoint the precise moment that the idea for a major community college initiative surfaced. For some time Martha Lamkin had urged the staff to consider three questions: What was Lumina's *ultimate* goal? What was the Foundation passionate about achieving? What challenge was the staff uniquely qualified to tackle? After three years of making exploratory grants in the broad areas of access, success and adult learning, the time was right to build on the data that the grants had produced.

In short, the Foundation was ready to focus on two or three Big Ideas.

Lumina's Hallmark Grant that had supported the development of the Community College Survey of Student Engagement (CCSSE) had sensitized staff members to the importance of the nation's nearly 1,200 community and technical colleges. One program officer, reviewing the enrollment statistics included in the CCSSE grant proposal, noted that many of the students attending these two-year institutions "were in the bull's eye of our mission." At the time, these campuses enrolled 44 percent of all undergraduate students and 49 percent of all minority students in the country. The majority were first-generation students from low- or middle-income families. The dropout rate was high: About 45 percent of first-year students were not returning for a second year; the rate of program completion was a disappointing 37.5 percent and falling.



Susan O. Conner

"I remember coming out of a program staff meeting in the fall of 2002 feeling sure that community colleges had to be a big part of our future strategic work," recalled Susan Conner. The problem was that no one had experience in designing an initiative so comprehensive that it potentially could improve higher education for hundreds of thousands of community college students across the country. "We started sketching a plan for how we could best help the schools, but we struggled. When Leah (Austin) joined the staff in March 2003, she took on the assignment and fortified the plan tremendously."

Bridging the gap

Although Austin came to the Foundation with limited experience in community colleges, she brought extensive knowledge of designing social-change initiatives that create "bridges" between systems. At the Kellogg Foundation, she had designed a successful middle-grades program to address student-achievement gaps in the middle grades, the

bridge between elementary school and high school. She saw similarities with community colleges.

“They are the bridges between high schools and four-year degree institutions,” she said. “They’re also the bridges between education and the workforce. Unfortunately, systems and policies too often overlook the important role of community colleges as a key to a skilled workforce and an educated population.”

Austin and several of her Lumina colleagues convened more than 50 leaders in higher education and philanthropy in the summer of 2003 to explore the possibility of a community college initiative. By October, MDC Inc. was on board as project manager and had invited several national organizations to attend a series of retreats to design an integrated action plan. This document — eventually more than 100 pages in length — described the initiative’s infrastructure and offered a blueprint for how the work would unfold. It explained how research would drive change at the participating schools. With guidance from coaches and researchers, campus leaders would collect and analyze data to identify gaps in student achievement. Subsequently, they would implement strategies to close the gaps. The plan, called Achieving the Dream, earned enthusiastic approval from the Foundation’s board of directors, which allocated the necessary funds to launch it.



“The community college system has been kind of the poor stepchild in the post-high-school education field,” noted Chairman John Mutz, whose eight years as lieutenant governor of Indiana had convinced him of the schools’ potential role in workforce development. “These are institutions that educate almost half of all people enrolled in college, so we had better take them seriously.”

By August 2007, four years into the project, Lumina’s initial investment of \$9.3 million has grown to \$56 million, with another \$43 million in support coming from 18 funding partners. These partners range from corporate and regional foundations to state systems

and individual college campuses. “Also, to expand national interest in community colleges and deepen research and development in the field, Lumina and other foundations have joined with research, advocacy and technical-assistance organizations to form a national group called CCAP — the Community College Affinity Partnership,” added Austin. “It’s a learning community comprising funders and key grantees who come together and teach each other what they’re learning. Coincidentally, some of our Achieving the Dream funding partners have been organizations we met through CCAP.”

The partnership aspect of Achieving the Dream — the fact that Lumina has broadly shared rather than directed the process of developing, implementing and expanding the initiative — has set it apart nationally. In late 2007, Grantmakers for Education conducted a detailed case study of the initiative so others in the philanthropic community could benefit from the lessons Lumina learned through Achieving the Dream. “Certainly, this type of co-created initiative presents challenges, and the case study shows that,” said Austin. “But it also shows that the benefits of sharing this work have been enormous — for us, for the other organizations involved, and most important, for the work itself.”

The long-term impact of Achieving the Dream won’t be known for years, but Foundation board members are optimistic, albeit realistic, in their expectations. “Often foundations sacrifice good achievements in search of the perfect,” said Jerry Bepko. “I think Achieving the Dream will produce good results — not only in terms of impact on the states involved, but it will produce rich resources of information, ideas and insights for others who want to improve access and success in their states, too.”



Jerry Bepko

Curbing college costs

A second major initiative had an auspicious launch at a very public “summit” in Washington, D.C., in November 2005, although the Big Idea behind the event had been percolating for years. The cost of higher education had been escalating, with tuition rates rising at almost twice the inflation rate. In response, Lumina proposed a national dialogue about strategies to reduce this formidable financial barrier to college access. The initiative,



INVESTING IN COLLEGE ACCESS AND SUCCESS

Making Opportunity Affordable (MOA), was rooted in a 2004 policy brief — *Collision Course: Rising college costs threaten America's future and require shared solutions* — prepared by

Bob Dickeson. The report outlined

the problem and identified 33 potential strategies for addressing it. As a companion to the document, the Foundation issued a nationwide *Call for Solutions* and distributed it to 26,000 stakeholders and the media. The one-day summit, co-sponsored by the James B. Hunt, Jr. Institute for Educational Leadership and Policy, officially kicked off the dialogue and drew 350 persons from 36 states.

“The summit was a coming-out party for Lumina,” recalled Bonnie Newman. “We had done a lot of good research, and people were beginning to notice us, but this event introduced the Foundation in a very serious, professional way. It put the spotlight on college affordability, an issue we’re now hearing a great deal about inside and outside the higher-ed community. There’s a drumbeat out there, and although we can’t take all the credit for creating it, I think we certainly helped assemble the percussions.”



As a follow-up to the summit, Martha Lamkin sent letters to all attendees announcing Lumina's five-year commitment of \$25.5 million to the MOA initiative and inviting interested stakeholders to join the effort as partners. Already on board were three national organizations: Jobs for the Future, the National Center for Public Policy and Higher Education, and the National Center for Higher Education Management Systems. Among their early projects was a series of reports comparing U.S. educational attainment with the top 30 industrialized nations in the world. By late 2007, America ranked 10th in the percentage of 25- to 34-year-olds with two- and four-year college degrees. (Canada placed first, ahead of Japan, Korea, Norway, Ireland, Belgium, Denmark, Spain and France.)

"We're foreclosing opportunity to bright young kids who simply can't afford higher education," said Bob Dickeson. "I think that's morally reprehensible. Cost is the number one barrier to access; it's something that Lumina has to understand and get involved with. Everything else is secondary."

Knowing how to go

If Achieving the Dream and Making Opportunity Affordable took shape slowly after years of research, Lumina's third Big Idea surfaced unexpectedly and required a quick up-or-down vote from the staff and board. The Advertising Council wanted to create a public-service campaign around the issue of college access and approached the American Council on Education (ACE) as a co-sponsor. ACE's vice president for advancement, Ellen Babby, invited Lumina to join in the collaboration as the funding partner. The initial investment was relatively modest — a \$3 million grant over three years — and could potentially yield \$28 million annually in media exposure. The campaign, called KnowHow2GO, would encourage underserved students to take the necessary steps toward attending college.

"In the beginning there was a spirited debate among the partners on how to focus the message," recalled Susan Conner. "Some thought we needed to convince teens of the importance of going to college. Others thought we should assure them that college

is possible for anyone who wants to attend badly enough. Our research pointed us in a different direction. It indicated that, unless students take certain steps, college is not possible for them, regardless of their aspirations. These steps include enrolling in prerequisite classes in high school, taking the SAT or ACT, filling out college applications and filing for financial aid on time.”

The Ad Council stepped in and commissioned its own research, which confirmed this position. Of the underserved students the council surveyed, 91 percent said they planned to go to college; clearly, they needed no promotional campaign to sell them on the benefits of higher education. With such good intentions, why were so few following through on their dreams? The stumbling blocks appeared during focus group sessions conducted by the Ad Council. In those sessions, the majority of the youth admitted they weren't familiar with the SAT and weren't signed up for the advanced mathematics and language classes that most colleges required. Their families were in favor of the teens continuing their educations, but said they had no knowledge of the financial-aid and college-application processes. Furthermore, adults in these households often has no experience to help them guide their young charges. The student had to take the lead.

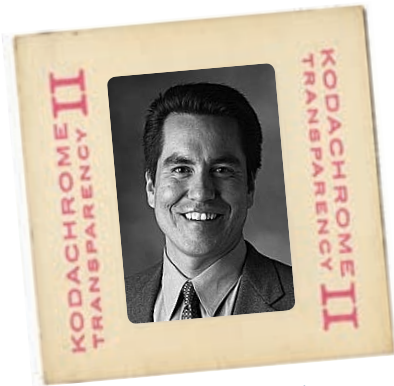
Guided by these findings, a New York-based advertising agency, Publicis, created a campaign that included print, broadcast and outdoor public-service advertisements that directed youth to the Web site: KnowHow2GO.org. Once there, visitors encountered the four steps to college, articulated in teen-friendly terms. They were urged to “be a pain” (be assertive about getting information); “push yourself” (sign up for challenging classes); “find the right fit” (check out private, public, trade and online schools), and “put your hands on some cash” (learn about scholarships and financial aid). The media messages in



Provocative billboards help deliver the KnowHow2GO message.

this “air campaign” are bolstered by a “ground campaign” in which a network of youth organizations, community groups and educational institutions provide the teens with one-on-one advice and support.

“We’re working with slightly nontraditional partners to try and reach kids in different settings and through different media,” explained David Cournoyer, the Lumina program officer who is overseeing the project. “In the good old days, Walter Cronkite told us what to do and we said, ‘Sure, Uncle Walter.’ Today, thanks to technology, there are so many other channels of communication. If we really want to reach teenagers, that’s where we have to go to find them. Right now we’re in a learning mode to see how things *really* work.”



David Cournoyer

Together, Lumina’s big bets — Achieving the Dream, Making Opportunity Affordable and

KnowHow2GO — provided three touchstones that focused the Foundation’s work of improving student access and success amidst the challenges of the new millennium.



One on One

... with Carol Lincoln

Carol Lincoln is senior project director at MDC Inc. in Chapel Hill, N.C., and is national director of Achieving the Dream: Community Colleges Count. She is the co-author of *America's Shame, America's Hope: Twelve Million Youth at Risk*, which led to a PBS-TV project to raise awareness of the large number of youth leaving school unprepared for college or careers.

You've had more than 35 years' experience working on issues of educational access. How did your previous projects help prepare you for Achieving the Dream?

There was an incredible connection. I remember remarking to my boss that Achieving the Dream was everything that MDC had said should happen at community colleges for the past three decades. Plus, we had just come from a major initiative that the Ford Foundation had supported called the Rural Community College Initiative. That project involved 24 institutions from across the country — a cakewalk by comparison — that we pulled together and turned into a high-operating learning community. So we were familiar

with ways of working with multiple institutions using the concepts of coaching and data-driven decision making.

From your perspective, what are the benefits of having community colleges as the focus of an initiative of this size?

Community colleges offer the best opportunity to take on social and economic agendas. They aren't as bureaucratic as other educational institutions; they have younger histories and more flexible missions, and they exist all over the place. They're usually considered very neutral, so you can use them as facilitators or conveners without having to deal with political or power dynamics that you might encounter elsewhere. They're stable; they aren't going away. If you build capacity in these colleges, odds are that the capacity is going to stay and serve the communities and the schools for a long time.

You rolled out the first phase of Achieving the Dream in the summer of 2004. Three years later, how well known is the initiative?

The communications and public-engagement component that we added after the launch has helped create a buzz in some of the biggest community college circles. Of course you can't stop someone on the street corner and expect that he knows anything about Achieving the Dream, but we're starting to penetrate the education field. We get lots of inquiries whenever we say we're going to add new college campuses. A recent request for proposals brought in close to 40 applications. We have another 24 implementation proposals from schools that are coming out of their planning cycles. We've added colleges and states every year; there's been no lull. That's happened, in part, because the game plan is comprehensive and well financed.

Looking back on the progress to date, what pleases you the most?

A growing number of people believe this is absolutely critical work. Accreditation organizations are talking about student outcomes; policymakers are looking at the data and understanding that enrollment isn't everything and that schools need to focus on students

earning degrees and completing the programs that they start. I'm also very proud that our partnership is staying together. These partner organizations have the talent and expertise to manage something like Achieving the Dream by themselves, but they've found ways to work collaboratively. They are committed to the agenda.

Achieving the Dream currently encompasses 83 schools in 15 states. What's next?

We'll soon begin planning the national expansion phase. We're asking each of the partners to save some time to once again work collaboratively on designing the next piece of the initiative. We've been inventing the bicycle as we go along, trying to keep up with fairly rapid growth as we develop better tools and better evidence of what we are doing. At the same time, we're always thinking about the "what's next."



Going Forward



“We’ve got a lot of Type A’s — staff and board — gathered around the table, and we all want everything to happen immediately. We’ve set our sights very high on what we want to accomplish with the resources; but we’re also a very careful group, in spite of our eagerness.”

BONNIE NEWMAN

Lumina Foundation Board Member

Chapter 7

Going Forward

Martha Lamkin's decision to retire at the end of 2007 was communicated in stages — first to staff, then to outside associates, and finally to the public at large. Staff members heard the news at a meeting conducted by John Mutz in early December 2006; friends of the Foundation were alerted in a letter signed by Mutz several days later; the media received the announcement in a press release dated Dec. 13, 2006.

“Organizations have life cycles,” said Lamkin, explaining the rationale for leaving at the end of her contract. “My role was to start the life cycle of this foundation. As we head into the home stretch of Lumina’s current strategic plan, it’s time to find the person who will help create the next plan.”

Members of the board of directors were privately and publicly generous in their praise of the founding president and CEO. “She’s been absolutely wonderful,” said Norris Darrell, who, as a member of the board’s executive committee, would serve on the board’s search committee to identify a successor. “Martha has done a great job getting the Foundation organized,” agreed Rev. William Beauchamp. Their colleague, Bonnie Newman, added: “She’s been a wonderful leader and has helped set a tone that I believe will carry on for decades to come.”



Norris Darrell

In his public comments, Mutz expressed similar sentiments, traced the growth of the Foundation under Lamkin’s leadership, and offered assurances that business would continue as usual in the year leading up to her departure. There would be no “lame duck” period of uncertainty or inactivity. The board was committed to Lumina’s mission and its



Holly McKiernan

general direction, he stated, and that included support for the major initiatives. “Therefore, Martha’s successor will be expected to build on the Foundation’s early history and is not expected to lead shifts in Lumina’s emphasis.”

The process of recruiting a new president began almost immediately. The board hired Russell Reynolds Associates, a global executive search firm, and named Lumina Senior Vice President and General Counsel Holly McKiernan to serve as staff liaison between the board’s search committee and the executive search firm. The entire search process would require almost a year to complete and would entail creating a job profile, advertising the position, winnowing the pool of applicants to a manageable number, conducting two rounds of interviews, making a choice, negotiating a

contract and announcing the appointment. The date for the new CEO's first day on the job was projected as early January 2008. The process was public, but names of more than 100 candidates who emerged in the search process were kept highly confidential.

Changing of the guard

Lamkin wasn't the first of the original executive team to leave the fold. Bob Dickeson had retired two years earlier, after helping to plan the Washington, D.C., summit that kicked off the Making Opportunity Affordable initiative. Dickeson, a former college president and a veteran of USA Group, had returned to Colorado in 2000 and had never been part of the onsite management staff. He often traveled on behalf of the Foundation and "telecommuted" from Colorado to Indianapolis, an experiment he described as marginally successful. "I discovered I was much more productive working at home," he said, crediting his stepped-up productivity to the absence of meetings and other distractions. "But I also learned that you can't manage people from a thousand miles away. That part of the arrangement didn't work." A change of assignment eased his staff-supervision responsibilities and capitalized on his creative and research skills. He retired at the end of 2005 with the title of senior vice president for policy and organizational learning.

Other changes were on the horizon. Leah Austin had joined the staff in March 2003 with the understanding that her tenure would be relatively brief. After successfully guiding the launch of Achieving the Dream and helping shape the Making Opportunity Affordable agenda, she announced a departure date of March 2008. As she wound down her career in professional philanthropy, she promised her Lumina colleagues that she would use some of her remaining time to write about her approach to developing major initiatives and enlisting collaborators to share in the work. "A lot of people don't agree with my way of doing things," she acknowledged. "I'm sort of a renegade in the field of philanthropy."

Meanwhile, a board-renewal policy, strongly promoted by John Mutz and Norris Darrell and approved by the full board late in 2004, provided the mechanism for a



Laura Palmer Noone

systematic infusion of fresh perspectives. “This was an important step in corporate governance,” said Darrell. “It ensures we’ll bring new members onto the board about every two years. Our current members were willing to accept the idea that they were going to have to leave at some point. I think that was indicative of how this board sees beyond selfishness.”

In compliance with the new policy, the Foundation soon announced the election of new board members who brought diverse experiences and came from areas of the country not previously represented on the board. In late April 2006, Michael L. Smith, a former executive vice president and chief financial officer for the health insurance firm Anthem Inc., was elected. A year later, in May 2007, two additional board members were named. Laura Palmer Noone of Phoenix, Ariz., had served as president of the University of Phoenix system and was a recognized expert on trends in higher education. Frank Alvarez of Tucson, Ariz., had been president and CEO of a three-hospital system in the Southwest and was a member of the Hispanic Scholarship Fund Board of Trustees.

Pursuing an “audacious” goal

Borrowing a buzzword from Jim Collins’ 2001 bestseller, *Good to Great*, Lumina’s staff and directors were united in pursuit of their BHAG (Big Hairy Audacious Goal) as they prepared to welcome new executive leadership. The Foundation’s BHAG surely fit the acronym — it was big and audacious: “To increase the higher-education attainment rate of the population of the United States to 60 percent by the year 2025 — up from its current rate of 39 percent.”

The motivation for the BHAG was threefold. First, it reflected concern that, by mid-2007, the United States had slipped from first to 10th place in educational attainment among young adults. (At that time, the U.S. ranked behind Canada, Japan, Korea, Norway, Ireland, Belgium, Denmark, Spain and France.) Second, the BHAG responded to significant and persistent gaps in degree attainment among racial and ethnic groups, with rates of college completion for African-Americans and Latinos remaining stubbornly low compared to those of white Americans. Finally, the BHAG was rooted firmly in census data and other evidence showing that education serves as the foundation for individual opportunity, economic vitality and social stability.

Despite consensus on the importance of the big goal, opinions at Lumina varied on how to achieve it. “I lean more toward a real emphasis on helping individuals who are serious about doing something for themselves,” said one board member. “We keep putting



“We decided to emphasize state policy rather than federal policy because the lion’s share of money for higher education comes from the states.”

money toward institutional fixes, and I’m pessimistic about the results. Everyone wants to do research; it’s deemed so important, but if you think about all the research, where is it cited? Where is it used? Is it really moving us forward?”

The board agreed, although not unanimously, to engage in public-policy work and to support positions in alignment with the Foundation’s goals. “If you really want to be a change agent in this arena, you’ve got to be in public policy,” said John Mutz. “We decided to emphasize state policy rather than federal policy because the lion’s share of money for higher education comes from the states.” The emphasis on state policy also reflected the fact that state-funded institutions enroll the vast majority of American students. However,

at least one board member expressed concern about entering the policy arena at either the state or federal level, preferring that the Foundation maintain its reputation as “an unbiased group, an outside observer and an organization that wants to address problems.”

From its earliest days, Lumina’s leadership committed the Foundation to being a source of credible information on college access and success. Lumina’s emphasis on research, communication and evaluation put the Foundation in a position to occupy the middle ground between these two schools of thought. Bonnie Newman supported Lumina’s position as a purveyor of information and a convener of events — like the Washington,



Staff members Susan Conner (left) and Holly Zanville (third from left) converse with new board members Frank Alvarez and Laura Palmer Noone.

D.C., summit on college costs — that provide a forum for a broad range of opinions. Realizing that private foundations are prohibited from lobbying except in self-defense, Newman noted: “We must be careful not to cross a line.”

In addition, Newman cautioned against any

actions that would put Lumina in a partisan light, saying: “If we are seen as partisan in any sense, it will jeopardize our reputation, and reputation is the most important asset that Lumina will have going forward.”

If board members initially debated the appropriateness of expressing policy positions, there was no debate when it came to supporting the Foundation’s main initiatives: Achieving the Dream, Making Opportunity Affordable and the KnowHow2GO program. The board also agreed to make funds available for “blue-sky ideas” that frequently arrived unsolicited. In the early years of the Foundation, each program officer had a modest pool of discretionary dollars to identify new areas of work or to support programs that came to

his or her attention through “cold inquiries.” As examples: Exploratory funds had helped document barriers that prevented African-American men from attending college, and a program called Breaking the Cycle had probed the reasons that college-age students who had spent their younger years in foster care typically had low rates of college admission and persistence. Staff members anticipated a time when the pool of discretionary dollars might be replenished.

“There will always be money for blue-sky ideas or what we call ‘catching the next wave’ ideas,” said Leah Austin. “Going forward, I would like to see the Foundation invest 40 percent in its big initiatives and 60 percent in great ideas that come from the field and that are aligned with the big initiatives. We’re too small a foundation to spread ourselves too thinly over too many programs.”

Equipping future leaders

Because of the size of Lumina’s workforce, fluctuating between 40 and 50 staff members, and the inevitable turnover in senior staff, efforts to equip a new generation of leaders had been in place since the organization’s launch. Lamkin intentionally moved personnel from department to department to shape them into generalists rather than specialists and to groom them for possible advancement. A tuition-reimbursement program encouraged additional education, and an on-site, once-a-month learning series invited outside experts to share everything from management techniques to grant-making strategies. Professional development was part of each employee’s performance evaluation, and staff members who expressed interest in future leadership roles were given increased exposure to executive consultant Charlotte Roberts. (See Chapter 4.)

In 2006, as a way to elevate and institutionalize individual and organizational learning, Lamkin named Leah Austin to the newly created position of senior vice president for program development and organizational learning. Under that umbrella title, Austin

designed mentoring opportunities for junior colleagues and supervised efforts to capture what the Foundation was learning in its work and share those lessons with the entire staff. Jill Wohlford assumed the responsibilities for what is called “knowledge management.”

“It’s a new field, especially within foundations,” explained Wohlford. “We’re trying to make connections among the projects and programs that we support and the work that



“We’re trying to make connections among the projects and programs that we support and the work that is going on outside.”

is going on outside. Lumina’s agenda is too big to have people working in isolation. We periodically bring our program officers together to talk about the grants in their portfolios, and we use a software tool called Sharepoint to post information on a secure Web page. Everyone is encouraged to participate. If we don’t know what we’re doing individually and collectively, we aren’t going to be very effective when we go forward. If we fully understand what we’re doing, we can logically ask, ‘OK, what *aren’t* we doing?’ Then we can fill those gaps.”

Spreading the word

As a way to help Lumina’s board of directors better see this big picture and understand the connections among various Foundation initiatives, all board members now sit on the board’s program committee. This change came at the request of individual directors who said they didn’t feel they knew enough about the ever-expanding program activity. “We used to talk about having elevator conversations,” explained John Mutz. “We imagined having a limited amount of time for a conversation. We asked each other, ‘Could you tell someone in four or five sentences what it is that Lumina does?’ We found out that some of

our members didn't feel very comfortable doing that. Now, since we've gone to a committee of the whole, no one has that problem."

The difficulty of articulating the work of foundations in general, and Lumina in particular, had never been limited to the board of directors. Staff members encountered similar challenges whenever they tried to explain the business of philanthropy to an often-confused public. "A lot of people don't understand what a foundation is or what it does," admitted Gloria Ackerson, grants management coordinator who joined the organization within months of its founding. She devised a concise reply. "Whenever someone asks me what we do here, I make it easy. I say, 'We do good things at Lumina. We help kids get into college ... and stay there.'"

Admittedly, that's a simple explanation for a dauntingly complex effort — one that is being undertaken by an organization that is still very young. And yet Martha Lamkin insists the effort is already paying off, in part because the Foundation has shown an ability to anticipate new issues that affect student success. "Lumina's commitment to practical, focused research; innovative grants; evaluation, and communication has resulted in deep knowledge of the field and its emerging challenges," Lamkin said. "Combine this knowledge with Lumina's passion for student success and its growing ability to draw others' resources to our initiatives, and the real measure of Lumina's impact becomes apparent."



Gloria Ackerson



Lumina Foundation's board as of July 2007

(Front row, from left:) Laura Palmer Noone, Chairman John M. Mutz, Martha D. Lamkin, Marie V. McDemmond. (Back row, from left:) Edward R. Schmidt, Frank Alvarez, Randolph H. Waterfield Jr., James C. Lintzenich, the Rev. E. William Beauchamp, Michael L. Smith, Gerald L. Bepko. (Not pictured: Norris Darrell Jr., J. Bonnie Newman, Richard J. Ramsden.)



One on One

... with Martha Lamkin

Martha D. Lamkin served as president and CEO of Lumina Foundation from its launch in 2000 until her retirement in late 2007. During her tenure, Lumina grew its assets from \$770 million to nearly \$1.5 billion, placing it among the 40 largest private foundations in America. Before joining Lumina, Lamkin was executive vice president of USA Group and a longtime leader in Indiana civic and philanthropic circles. She chaired the Central Indiana Community Foundation's board of directors and was president of the Cummins Engine Company Foundation. Nationally, Lamkin serves on the board of the Council on Foundations and chairs its Public Policy Committee.

When you assumed the presidency of Lumina in 2000, what did you see as the organization's primary challenges?

Lumina was given the remarkable opportunity of deploying its assets to serve the public good. In designing our strategy, we had two main goals. First, we wanted the Foundation

to become a credible source of information that would bring an independent point of view to the issue of college access and success. Second, we wanted to make an impact with a modest amount of money — modest when you remember that higher education is a huge, decentralized sector. We knew we could disburse our annual payout of approximately \$50 million in a number of ways. For example, we could award scholarships each year, and that would be very beneficial to the recipients. Instead, we chose to leverage our investment in an effort to bring about systemic change. We've collaborated with other organizations in strategic ways to support work that we all think is important. Have we been successful? The jury is still out. Whether more students will succeed because of our decisions won't be known for another 10 years or so. I hope that data will be tracked in the various Lumina efforts over the long term in order to assess the effectiveness of our strategy, learn from our successes and shortfalls, and improve Lumina's strategy going forward — all as a basis for more effectively anticipating and addressing needs of the future.

You worked hard to create a participatory work environment rather than follow a traditional top-down management style. Will the Lumina “culture” survive regardless of who is in charge?

It's a work in progress. I'm a really open person, but I learned that every employee can't be involved in every decision. When that happens, we risk paralysis; meetings take too long, and actions are delayed. Still, it's important for people to feel connected to the organization's mission and understand its work. We needed to find ways to let all employees — even those who aren't involved in the programming side — know that they play key roles in accomplishing the mission of helping students succeed. I hope the culture will continue to mature as a learning organization in which staff and external colleagues expand the body of knowledge Lumina and others need to support increased access and success in education beyond high school.

After seven years, how has your view of Lumina and its work changed?

I've come to see Lumina more as a consulting group on the issue of higher education access and success. I see us as generalists who connect the dots of our subject area, in

part, by working with specific talents on the outside. I am pleased to see indications that Lumina's \$50 million annual grants budget is growing, thanks to market conditions to date. More importantly, I'm astonished at the scale of leverage — in terms of partnerships and geographic reach, as well as human, financial and intellectual capital — that Lumina has brought to a critical national issue.

Imagine that you are a consultant who has been hired to guide a fledgling group on the ins and outs of starting a new foundation. What advice would you offer?

First, I would ask a lot of questions. For example: What is the size of your assets? What “end” do you seek? What outcomes are important to you? What is the most appropriate form to adopt — perhaps a donor-advised fund at your local community foundation or a private foundation? If the assets can sustain a free-standing foundation, recruit colleagues to serve on the board and staff who are aligned in temperament and vision to accomplish the foundation's mission. Next, do your homework on the issue. Identify experts, practitioners and research to understand current knowledge, barriers, potential solutions and partners. Map a strategy that seems to make sense; make grants with care, and try to be patient while awaiting results! Finally, be accountable to the public interest. Out of respect for the limited resources of potential grant seekers, candidly communicate your funding strategy and priorities, and share as much information about the results of your work as you reasonably can. Conduct affairs of the foundation in accordance with the highest professional standards, supporting both the letter and the spirit of the law.

Given your range of foundation experience, how would you sum up Lumina's work to date?

Only time will tell the real results — and others will be the judge — but I hope that in Lumina's first seven years we have done a creditable job of laying the groundwork to make positive, systemic change on a very difficult issue that is critical to the well-being of individuals, our economy and our stable democracy. In short, I hope that we built and leveraged Lumina's financial, human and reputational assets to achieve maximum value.

Key to this effort are three distinctive elements that characterized Lumina's launch:

First, a passionate focus on one issue: increasing access to and success in postsecondary education for all students, and especially for traditionally underserved students — low-income, first-generation, students of color and adult learners.

Second, the capacity to identify and articulate key issues where Lumina's \$50 million of annual grants could make a difference on the national, decentralized sector of postsecondary education. We call this "catching the wave." For instance, we identified community colleges as a key leverage point to engage at-risk students at lower cost and create a bridge to the workforce. We also identified the interrelated issues of college cost, affordability and quality as a critical concern for students, families, taxpayers, and our nation's global competitiveness.

Third, our engagement of the fullest possible range of assets on this issue, including Lumina's human and financial resources, other partners, volunteers, public policy and institutional leaders, researchers and practitioners, students and families.

Lumina's accomplishments result from the dedicated, insightful contributions of our talented staff; unflagging support from our board — through success and error; constructive guidance from knowledgeable advisers too numerous to name; and the encouragement of other individuals, institutions and funders whose commitment and hard work created synergies with Lumina's efforts and contribute to the achievement of our mission.

Surveys of our stakeholders and grantees in 2007, as well as evaluations of grants and communication strategies, give us some early signs of progress, for which we are all grateful.

What are your hopes for Lumina's future?

The challenge of increased degree attainment is so great — and so critical for our nation's future — that I hope Lumina has laid a solid foundation for the next era of significant progress. Given Lumina's range of assets, I have high hopes for even more impact in years to come. And, of course, Lumina's most important asset is its outstanding staff. We've come so far already because of them — and they've really just begun.



*The Next Step
Forward*

Epilogue

The Next Step Forward

If the creation of Lumina Foundation happened with a snap of the fingers, the development that followed involved the hard labor of moving the building blocks into place one by one. It involved intellectual struggle and critical choices about which paths to pursue and how to move down those paths. And, the early years clearly involved trial and error with some jarring bumps along the way — important moments of learning for a young foundation.

Yet, Lumina can take pride in the fact that, after seven short years, the Foundation is strongly identified as a champion of student access and success, that stakeholders believe it is beginning to affect the entire field, and that its initiatives are beginning to improve approaches in practice.

Looking back on how these achievements have come to pass, we can point to several keys. First, we selected a highly focused mission. Little did we know at the time we defined Lumina's single *raison d'être* as student access and success in postsecondary education that we were the only foundation — in a field of 60,000 — exclusively focused on that purpose



John Mutz

on a national scale. We also did not realize that several major foundations were retracting their support of postsecondary education. Suddenly, this newly endowed foundation was the biggest funder in this distinctive niche.

Second, and even more important, we entered this space at a time when a perfect storm was gathering around us. Spiraling college costs were beginning to price qualified, aspiring college students out of the education market. Shifting demographics were changing the face of America, and nontraditional students could no longer be ignored if we wanted to maintain a strong workforce and society. The economy was undergoing major displacements of thousands of middle-class jobs, and employers were struggling to find qualified employees for the knowledge-based jobs of the future. Federal and state budgets, strapped by economic strain, began cutting the growth rates in education appropriations, and a new era of heightened accountability came to the fore. Lumina Foundation found itself on the crest of the wave created by this storm, and entrenchment gave way to serious engagement on Lumina's access-and-success agenda.

Lumina, as the new kid on the block, did not have a lengthy track record or assets that could propel it into the top echelon of foundations. But it did have an understanding that it must focus tightly on the issue at hand, and that it must communicate relentlessly to put that issue on the radar screen for other stakeholders. That investment paid early dividends in helping to raise awareness about the importance of student access and success among institutional leaders, policymakers and other funders. Their engagement places us on the threshold for an even more productive next chapter.

Lumina's first stage of life is coming to a close with the clear consensus among the board that Lumina is ready for the next chapter in its life cycle. We are emboldened by our conviction that an education beyond high school is the bedrock for individual opportunity, economic prosperity and social stability. Lumina has staked out the position that the U.S. must strive to increase the percentage of adults with a college degree — from either a two-

year or four-year institution — to 60 percent, up from the current rate of 39 percent. A 60 percent rate will equip our workforce to remain in the hunt with other nations eager to compete for jobs in a global marketplace.

To help the nation achieve that goal, many stakeholders must work collectively on several fronts. Dramatically larger numbers of students must get to the college entry point equipped with the academic, financial and social capital to cross the threshold and succeed. Adults who slipped through the system or who need new skills must have access to



Lumina, as the new kid on the block, did not have a lengthy track record or assets that could propel it into the top echelon of foundations. But it did have an understanding that it must focus tightly on the issue at hand, and that it must communicate relentlessly to put that issue on the radar screen for other stakeholders.

accelerated programs that don't waste their time or their money. Low-income youth must know the right steps to get to college. Financial-aid policies must support their aspirations, and institutions must make it their business to raise the success rates of students.

Employers, as consumers of educational output, must tell our institutions what they need in hard and soft skills. Schools at every juncture of the pipeline must tell each other what they need to prepare students for successful transitions along the educational pathway.

None of this will happen without strong policy guidance and incentives.

Emphasis on policy work

For this reason, Lumina's board is resolved that the Foundation's second phase will place more emphasis on policy work that supports its research and program investments. We must engage with higher education leaders and public policymakers in more deliberate ways if we hope to bring about lasting change in student access and success. To lead that work for Lumina, on Oct. 11, 2007, the board elected Jamie P. Merisotis as Lumina Foundation's next president and CEO. As the founding president of the Institute for Higher Education Policy in Washington, D.C., Jamie has earned a reputation as a highly effective authority on issues of access and success. He frequently advises Congress and convenes disparate heads of higher education organizations to work on issues affecting student access and success.

With the strong infrastructure that Martha Lamkin has built for Lumina Foundation, and the policy expertise and convening power that Jamie Merisotis now brings to the table, Lumina will face the challenge of dramatically increasing educational attainment with resolve and vigor. It's a challenge that neither we nor this country can afford to sidestep. As Pat Callan, founder of the National Center for Public Policy and Higher Education has observed: "The jury is still out on whether or not (Lumina will) succeed ... (but) ... if what they're working on doesn't succeed, the country is going to be in big trouble."

— Lumina Chairman John M. Mutz
October 2007

Lumina Foundation staff as of October 8, 2007

Gloria Ackerson

Grants Management Coordinator

Indira Anand

Director, Information Technology

Leah Austin

Senior Vice President,
Program Development and
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Dianna Boyce

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David A. Brown

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Monique Crowell

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Chief Investment Officer

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Senior Administrative Assistant

Jane Guo

Investment Officer

Jeanna Keller

Program Manager

Jill Kramer

Senior Program Officer

Martha D. Lamkin

President and Chief Executive Officer

Bob LeClerc

Office Automation Specialist

Shelley Lloyd

Director, Human Resources
and Facilities

Candice Lowes

Administrative Assistant

J. David Maas

Senior Vice President,
Chief Financial Officer and Treasurer

Molly Martin

Organizational Learning Associate

Dewayne Matthews

Senior Research Director

Holly McKiernan

Senior Vice President,
General Counsel and Secretary

Nushina Mir

Evaluation Officer

Christina Morales

Finance Operations Associate

Heather Roberts Moss

Investment Operations Coordinator

Dave Powell

Director of Publications

Barbara Rodriguez

Administrative Assistant

Ryan Shaffer

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2000

June 15, 2000:

USA Group Inc. and SLM Inc. (Sallie Mae) announce their intention to combine operations.

July 31, 2000:

USA Group sells most of its operating assets to Sallie Mae; proceeds from the sale of USA Group's assets establish a private foundation with an endowment of \$770 million.

January 2001:

The Foundation makes its first seven-figure grant – a \$1.47 million grant to the University of Texas Foundation to support the Community College Survey of Student Engagement.

2001

February 20, 2001:

USA Group Foundation's new name – Lumina Foundation for Education – is unveiled publicly.

February 26, 2001:

Lumina Foundation divests itself of Sallie Mae stock, selling 7.2 million shares to Goldman, Sachs & Co.

December 17, 2001:

Staffing at the Foundation reaches 30 full-time employees.

2002

January 2002:

The Foundation publishes *Unequal Opportunity*, a research report that proves both influential and controversial.

March 31, 2002:

The market value of the Foundation's assets first exceeds \$1 billion.

April 25, 2002:

John M. Mutz is elected chairman of Lumina's board of directors, effective August 1, 2002.

2003

January 15, 2003:

Lumina issues the first grants in the McCabe Fund – seven grants totaling \$474,000 to organizations that work directly with students to improve college access.

November 2003:

Lumina launches its electronic newsletter, *Student Access & Success News*.

2004

May 2004:

Lumina Foundation joins with the National Association of Student Financial Aid Administrators (NASFAA) to expand College Goal Sunday.

June 2004:

Lumina announces the first grants to colleges participating in Achieving the Dream: Community Colleges Count, effectively launching the initiative at 27 community colleges in five states.

August 2004:

The Foundation releases the *Collision Course* policy brief, launching an initiative on college affordability that will later be called Making Opportunity Affordable.

November 18, 2004:

Lumina's directors approve a plan for scheduled term limits, thus ensuring the board's ongoing renewal.

2005

November 2, 2005:

In partnership with the James B. Hunt, Jr. Institute for Educational Leadership and Policy, Lumina holds a national summit on college costs in Washington, D.C.

2006

February 22, 2006:

The Internal Revenue Service completes an 18-month review of the Foundation's 2001 and 2002 tax years, issuing two letters containing no penalties or changes to Lumina's tax status.

July 2006:

Lumina's total grant approvals reach the \$250 million plateau.

December 12, 2006:

Martha D. Lamkin's retirement as Lumina's president and CEO is announced, effective December 31, 2007.

2007

January 17, 2007:

Lumina Foundation, the American Council on Education and the Ad Council launch a national college access campaign, KnowHow2GO.

April 2007:

The market value of the Foundation's assets first exceeds \$1.4 billion.

October 11 2007:

Jamie P. Merisotis is named president and CEO, effective January 1, 2008.



Timeline