



The **Philanthropy Awareness Initiative** is a project supported by The David and Lucile Packard Foundation, The Bill and Melinda Gates Foundation, The William and Flora Hewlett Foundation, The James Irvine Foundation, and The Robert Wood Johnson Foundation.

Five Questions about Demonstrating Impact

How Foundations Can Show Their Value and Why They Should

A CONVERSATION WITH:

Jim Canales, The James Irvine Foundation

Joel Fleishman, Duke University

Jim Knickman, New York State Health Foundation

WITH COMMENTARY FROM:

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Patricia Patrizi, Evaluation Roundtable / Patrizi Associates

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Making an Impact Is Only Half the Battle

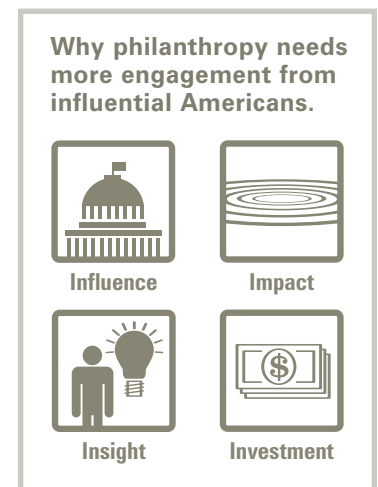
It's become an article of faith that foundations can't do it alone.

Large though they may seem, philanthropy's assets amount to a fraction of those government and business bring to the table. Foundation leaders increasingly recognize that big results depend on the infusion of outside capital—social, intellectual, political, financial—into philanthropy, through partnership with government, business and nonprofit leaders.

In short, philanthropy needs the engagement of leaders in other sectors. It needs their engagement to secure vital political support (influence). It needs their engagement to form the cross-sector partnerships necessary to take promising programs to scale (impact). It needs their engagement to bring the best and brightest into foundations as board members and leaders (insight). It needs their engagement to widen the pipeline of dollars and other kinds of support for nonprofit organizations (investment).

And yet there's a sobering reality: philanthropy suffers from a deficit of awareness and engagement among influential Americans. Most decision makers don't even understand what foundations are or do. Far fewer are actively engaged in their work. Consider this:

- According to a recent Harris Interactive survey, more than half of leaders on the front lines of social and community action can't name a foundation on the first try. Most feel uninformed about foundations. More than 80% can't cite an example of how foundations have helped their communities.
- Policymaker ignorance of the work and value of foundations can result in legislative and regulatory efforts that threaten foundations' essential flexibility.
- The vast majority of news stories about foundations over the last two decades are transactional in nature, covering grants made and dollars out the door, rather than impact.
- And philanthropy leaders and observers believe the impact of foundations is simply not registering with critical audiences, laying the blame squarely on the culture and communications practice of foundations themselves.



These developments represent a serious threat to the freedom and effectiveness of the foundation enterprise.

What to do?

In the pages that follow, a dozen philanthropy leaders explore one solution: find better ways for foundations to calculate and communicate their value in American society. This is no easy feat. “Impact” has certainly become a watchword in the field. But far more of the sector’s assets have been invested in *making* an impact than in *demonstrating* it.

The discussion began with a standing-room-only session at the Council on Foundations annual conference in Seattle. Three leaders—Jim Canales of The James Irvine Foundation, Joel Fleishman of Duke University, Jim Knickman of the New York State Health Foundation—grappled with five aspects of the challenge to demonstrate impact: Why does it matter? Why do foundations struggle with it? How can foundations make it happen? What role should the board play? And how should foundations talk about failure? Then other leaders—foundation executives and association heads—were asked to weigh in.

Their opinions are at turns provocative and practical. One leader tells a story highlighting the risks of telling Congress more about the money philanthropy has than the difference it makes. Another warns of the dangers of practitioners becoming “out of touch” with their own foundation’s work and discusses what can be done. Many point to the legislative risks the field faces when it fails to communicate its value. Others argue that demonstrating impact is critical to achieving mission. A range of solutions are proposed, from more meetings with legislators to meaningful foundation-wide assessment to competitions for best and worst grants.

We hope these exchanges spark a broader conversation among philanthropy leaders about how foundations can better demonstrate their value—and why they should.



The **PHILANTHROPY AWARENESS INITIATIVE** is an effort of foundations and other interested groups to increase the engagement of influential Americans in the work of philanthropy. We aim to accomplish this purpose primarily by identifying, developing and sharing effective ways to communicate with those stakeholders about the unique role, work and impact of foundations in American society.

Better connecting with government, business, nonprofit and media decision makers for greater mutual understanding and impact is a critical opportunity for U.S. philanthropy today. It will help the foundation sector build necessary political support, take promising programs to scale, invite new ideas, and encourage more philanthropy.

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1. Why does it matter?

Studies show that influential Americans—decision makers in government, business, news media and even the nonprofit community—don't understand the impact of foundations.

"The public doesn't know where the 911 emergency response number came from," said Joel Fleishman, who documented high-impact foundation initiatives in his book, *The Foundation: A Great American Secret*. "I ask every time I have a book signing and they have no idea it was started by the Robert Wood Johnson Foundation. Highlighting those impacts is an important part of building a public sense of what foundations do. And not just do now but what we have done as a community over the years."

Why is limited understanding of foundation impact a problem?

Joel Fleishman suggested three big reasons.

1. Politics. "Without political support, foundations are vulnerable. This is an interest group society. If the foundation sector doesn't get organized, its autonomy, independence and freedom are bound to be diminished."

2. Performance. "The more comment you get from outside foundations' insulated culture about what you're doing, the better you're going to do what you're doing."

3. Scale. "To the extent that foundations don't demonstrate their impact and don't talk about their successes and failures, nobody can build on them."

Regarding the first reason, Fleishman urged foundations to have "a continuing presence" in political and media circles that is "energized, active and representing the foundation community to public audiences on a continuing basis. The infrastructure organizations can't do that by themselves without the support of individual foundations." "You don't have to reinvent the playbook on these issues," Fleishman added. "We know powerful economic interests do this all the time. They **establish relationships**. I wish that more foundation presidents and trustees spent more time walking the halls of Congress. Legislators don't pay attention if you show up only when there's a problem. They pay attention if we've been there, we've built a relationship, and they know who we are."

On the state level, increased political support is vital as well. "In California, we're now faced with a bill in the legislature around giving to minority-led organizations," said Jim

Canales. “The point isn’t about this specific bill but about the fact that we’re discovering we’re dealing with policymakers who have limited knowledge about foundations. Many don’t know what a foundation is or does, and that’s our fault, not theirs. It’s not about a one-time effort; it’s about persistent, consistent, ongoing ways to build relationships and understanding.”

Conversation among the panelists also focused on the need to **build on foundation successes and failures.**

“Without adequate demonstration of impact, the whole nonprofit sector is unable to go forward on the shoulders of what happened before,” said Fleishman. “Think about the analogy to science, where all experiments—those that succeed and those that fail—are in the public domain. You build on them. In philanthropy’s case, it’s not there.”

“Once, John Abele called me up when he was co-founding Boston Scientific,” said Fleishman. “He said, ‘I’d like to know where I can go to find out which foundations are doing what and with what consequences.’ And I laughed and said, ‘John, there’s no such place. There isn’t any place you can go if you’re interested in a particular problem to find out what foundations have done on it and with what impact.’”

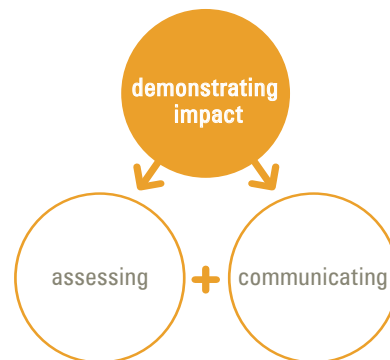
Jim Knickman added, “Asking what we’re learning, and what works and what doesn’t, is crucial to doing future programming. There’s so much turnover in philanthropy that the current generation of staff often doesn’t know what was done five years ago.”

“We’re discovering we’re dealing with policymakers who have limited knowledge about foundations.”

—Jim Canales

The Definition

Demonstrating impact was presented as consisting of two main activities: assessing the impact foundations are (or are not) having and communicating the results. Panelists were in tight consensus about this fundamental point: those wishing to effectively show their value must master both disciplines to succeed.



COMMENTARY

Question 1: Why does it matter?

SUSAN BELL: The only way we can make significant progress on the big issues we're tackling is by **engaging decision makers**. And we can do that by telling more stories about where foundations have impact and where we don't, by showing real results. The more informed decision makers in the fields in which we work are, the more likely they'll be able to move into action on our behalf. Demonstrating impact is the smart and responsible thing to do when we're spending large amounts of dollars that could be otherwise deployed in society.

PHIL BUCHANAN: I generally agree with Joel Fleishman's points about the importance of understanding impact. But his second and third points would come first for me. I'd place more emphasis on the need for us to understand impact to **improve performance** and less on the politics of it all. The fact is, more and more foundations are pushing themselves to maximize their impact, and that is really tough work that will ultimately give them a much stronger case to make. I believe the winning message to politicians and the public will be one of relentless focus on assessment and improvement and results.

EMMETT CARSON: We have to demonstrate impact because we have **stewardship responsibility** of quasi-public dollars that otherwise would have gone to the government. We've got a responsibility to show why we should continue to have discretion over those resources, by showing that they're being used for public benefit.

ROB COLLIER: Before the annual Foundations on a Hill program, there was a full-page ad in *Roll Call* that talked about the more than \$700 billion in endowed philanthropy. In the hallway, I ran into a member of the House Ways and Means Committee, who said in response to the ad, "I'd forgotten all the money tied up in organized philanthropy. We've got to get our hands on more of it." It wasn't the **right message to Congress**. We need to talk about all the good work philanthropy is *doing* with that money.

KATHLEEN ENRIGHT: To the extent that a grantmaker is not engaged in tracking and reporting what's being learned about impact, it may be undercutting the foundation's public mission. And sophisticated approaches to assessing impact are the only way we can get smarter about our work. They elevate the conversation beyond the question of "Did it work?" to the nuances and complexity of the issues philanthropy tackles. Part of our **communications challenge** is to educate board members, policy makers, potential donors and the public about what we can reasonably expect to know about impact, depending on the size, scope and duration of the investment.

PAUL GROGAN: This sector is sitting on an enormous pile of tax-exempt wealth, and the privileges we enjoy are subject to change. Leadership of the country doesn't understand what they're getting for those privileges. That's an **enormously risky situation** to be in. There are recurrent assaults from Congress and exposés of abuses that aren't balanced by coverage of the benefits. If the sector's benefits aren't appreciated, it will likely result in changes in policy that could impede the sector and rob the sector of its flexibility as well as its influence.

"In the hallway, I ran into a member of the House Ways and Means Committee, who said in response to the ad, 'I'd forgotten all the money tied up in organized philanthropy. We've got to get our hands on more of it.' It wasn't the right message to Congress."
—Rob Collier

STEVE GUNDERSON: What we in the field know about philanthropy's impact others do not know, especially legislators, regulators, reporters, and neighbors next door. We need to show these groups that philanthropy is **not a country club sport** or locked in mahogany boardrooms. The Council will take a lead role with media and Congress in demonstrating impact. But we need our member foundations to stand tall and let others see them. By demonstrating impact we not only protect the franchise of existing philanthropy but we communicate the message to future philanthropists that philanthropic investments are a wise use of their resources.

MAX KING: In the last 30 years, the number of foundations has grown from something like 20,000 to 70,000, and \$30 billion in total assets to over \$500 billion. As foundations have become such a huge force in America, **Congress is noticing**, Attorneys General are noticing, the news media is noticing. It's a problem on two levels. One, if our work isn't understood and appreciated, we're vulnerable to meddling by Congress and misunderstanding by the business community. Two, and more important, building understanding and support within the communities we serve is a critical tool to achieving our ends.... We're going to get the attention. The question is on what terms: our terms or defensive terms?

**"We're going to get the attention.
The question is on what terms: our
terms or defensive terms?"**
—Max King

TIM WALTER: Fleishman names three compelling reasons to communicate impact, but there's one more that I find exciting, and that's the encouragement of **new, thoughtful giving**. Every year the Association of Small Foundations conducts a survey that is answered by representatives of at least 950 foundations. We asked what would make the work of the board members more fulfilling, and the answer came back a resounding "seeing a tangible impact for our efforts." At its core, philanthropy is about voluntarily coming forward to express care about someone else, and no one wants to have his or her time and money wasted.

2. Why do foundations struggle with it?

Joel Fleishman speculated that a reluctance to brag and be in the spotlight keeps many practitioners from communicating forcefully about their foundation's role. "How do you demonstrate and communicate impact if in fact you're conflicted about saying you had anything to do with it?"

Jim Canales questioned whether more open communications really presented foundations with the stark either/or choice that many see between lifting up the foundation or lifting up the grantee. "I'd reframe the question from "Is it the grantee or foundation that's being highlighted?" to "Is it the role of the foundation to play a part in **elevating issues, solutions that are working**, and a deeper understanding of the challenges that we face?" he said. "From my perspective, I think that *is* our role."

Panelists also attributed foundation circumspection around social impact to the methodological barriers that make it so hard to pinpoint causes—"the difficulty of drawing that straight line between the work of a single foundation and societal impact," as Jim Canales described it.

Yet all three insisted **the causality challenge** shouldn't get in the way as often as it does.

"I think it's really wrong to get hung up on the causality issue," said Joel Fleishman. "You need to look at it in a common sense way. If the stakeholders tell you that they could not have undertaken a particular initiative, which accomplished certain consequences, without the support and guidance of the foundation, that's pretty good testimony, it seems to me. When you're dealing with social problems, with the many interacting forces that come to bear on them, we can't prove causality about anything. I hope that foundations' concern about causality doesn't prevent them from talking about what they've done."

Jim Knickman, former Vice President for Research and Evaluation at the Robert Wood Johnson Foundation, urged foundations to overcome the causality caution as they assess success.

"Without adequate demonstration of impact, the whole nonprofit sector is unable to go forward on the shoulders of what happened before."
—Joel Fleishman

"The fundamental point, rather than causality, is thinking about performance and whether you still want to support a particular movement."
—Jim Knickman

“The fundamental point, rather than causality, is thinking about performance and whether you still want to support a particular movement,” Knickman said. “I like to use the soup analogy. A good soup is made up of lots of parts, and it’s very hard to distinguish what role the garlic plays from the carrots. But at the end of the day, **if that’s a bad soup, I don’t care what ingredient caused it**—I don’t want to be a part of that soup for long. If I’m working on childhood obesity and ten years later the rates are still going up, trustees have to reassess: Are we doing the right thing? Do we want to continue to invest in this area?”

COMMENTARY

Question 2: Why do foundations struggle with it?

TIM WALTER: Communicating impact **presumes a rational dialogue** and decision-making process, and while no one is arguing that it's bad to be rational, we'd be naïve to think that it's sufficient to generate public or political support for foundations. Emotional, cultural, financial, and ideological biases are at play. A rational argument about "impact" may give one victory in a debate tournament or before a judge, but not in politics. Foundations should stop trying to win good press in *The Economist* and start trying to get more coverage in *People* magazine's "Heroes Among Us" column.

PATTI PATRIZI: Frankly I'm not sure foundations really *do* struggle with it. Many foundations point to the causality challenge as a way to avoid struggling through how much they contribute. Many foundations just don't demand the kind of mature thinking and knowledge that might actually stand up to some of the difficulties they encounter... To get to demonstrating impact, foundations need to be more targeted about purpose and stay with purpose longer. Two things hold them back: **to be very purposeful is risky**, because you might fail; and presidential transitions, where every ten years it seems like foundations start their focus anew. Ten years is nothing. Think about how long it's taken to learn how to be good at early childhood education—it's been decades. We can't behave as if relatively intractable problems have quick fixes.

"In the Q and A, someone asked, 'Aren't you taking credit for the work of your grantees?'... I said no—we're asserting that we made prescient investments in institutions and ideas that mattered. We're not over-claiming, but we *are* saying we had something to do with this."
 —Paul Grogan

MAX KING: It's a very deliberate and direct result of a foundation culture that has been quiet, **sometimes anonymous, sometimes secretive**, until quite recently. It comes from the idea that our good works speak for themselves and it's impolite to brag about what you do. And the foundation wealth that's been put to work comes by and large from business and families that weren't particularly comfortable broadcasting the fact that they had such a huge pot of money.

PAUL GROGAN: There seems to be an attitude in foundations and a large part of the nonprofit sector that if you're doing good, the rest takes care of itself, a feeling that "we're too busy doing good to worry about communications." I think that's really a foolish and harmful attitude. Institutions outside philanthropy have **invested in communications** for years. There's a huge catch-up for foundations to do. It's what we owe the public.... Another obstacle came up after a talk I gave on communications in a session with other foundation executives when I first started. In the Q and A, someone asked, "Aren't you taking credit for the work of your grantees?" I see that question as emblematic of a certain mindset in the field that's getting in the way of dealing with the issue of poor understanding and appreciation of foundations. I said no—we're asserting that we made prescient investments in institutions and ideas that mattered. We're not over-claiming, but we *are* saying we had something to do with this. If you don't think foundations can have something to do with helping grantees be successful, why are you in this field?

KATHLEEN ENRIGHT: One contributing factor is that many foundations aren't clear and specific about what they hope to achieve. If **goals and strategies are unclear**, the challenge of demonstrating impact becomes like an Easter egg hunt—looking for treasure in every nook and cranny. Another struggle is the quest for definitive proof. We need to move away from that. The work gets a lot more productive when attempts to demonstrate impact are approached as performance improvement exercises.

ROB COLLIER: Foundations struggle with this because **our society is oriented to the quick fix**, and folks are unwilling to invest the time that demonstrating impact requires. The fear of the “E” word also can be a factor in the struggle. The notion that demonstrating impact requires an expensive evaluation can discourage grantmakers from learning how modest grants can still have an impact. I found as a grantmaker that our small grants program—average size \$15,000—was just as impactful as the larger grants we made.

EMMETT CARSON: Our work is about art and science. The art part: sometimes things work out for reasons we don’t really understand or can explain. On the science part, our sophistication and understanding of why things work is imprecise at best and very expensive. The sad truth is we don’t have the tools that result in clear-cut evaluative measures, and when we do it’s often prohibitively expensive relative to what the program cost.... **We often put grantees in a Catch 22.**

If they’re successful: “Good news, we can withdraw our funding.” If they fail: “Aha, it’s not a good use of resources. Goodbye.” Grantees feel like they can’t win. Let’s be honest: sometimes we want to pull out and we use evaluation as the scientific, impartial way to do it.

PHIL BUCHANAN: Many foundations struggle to demonstrate their impact because they simply aren’t working strategically. Without a strategy, implementing a foundation-wide performance system is next to impossible and making the case for impact challenging, at best. Consider this. When we at CEP looked at the grantmaking of 142 large foundations, the median grant size was fifty thousand dollars. *Fifty thousand dollars.* It seems highly improbable to me that a foundation that makes hundreds or thousands of small grants across myriad programs, with vague goals, will be able to make a case for its impact, even accepting (which I do) that we shouldn’t get hung up on causality. What’s left are anecdotes. **And anecdotes won’t cut it.**

“When we at CEP looked at the grantmaking of 142 large foundations, the median grant size was fifty thousand dollars. *Fifty thousand dollars.* It seems highly improbable to me that a foundation that makes hundreds or thousands of small grants across myriad programs, with vague goals, will be able to make a case for its impact.”

—Phil Buchanan

3. How can foundations make it happen?

Panelists endorsed **four general practices** as essential to demonstrating impact.

One was **foundation-wide performance assessment**. Jim Canales was asked to speak about The James Irvine Foundation's particular approach, a framework adopted by the foundation board in December 2005 that assesses the foundation's progress in two broad areas: program impact and institutional effectiveness. "It's important to give your board some kind of framework about how you think about assessing your progress," said Canales. "How are we going to know what progress we're making against the strategy that we've defined? We put together a board task force, working with some members of the executive team, to help us look at that question. We wanted to learn from what others were doing: Robert Wood Johnson, Lumina, Rockefeller Brothers Fund, and others that have grappled with this question."

In March of 2007, Irvine Foundation staff presented its board members with a report on progress made against the framework during 2006, its first year employing the system. The foundation also posted the progress report on its website. Canales said one of the biggest challenges in putting together a foundation-wide impact assessment framework and process was that "there aren't yet a lot of great models out there in terms of how foundations think about their progress as an institution."

"It is just as important to be strategic about the communications function in a foundation as it is to be strategic about grantmaking."
—Joel Fleishman

The second practice that emerged was the second half of the demonstrating impact equation: **strategic communications and outreach**.

"A lot of foundations do a very good job in assessing the impact of what they're doing," said Joel Fleishman. "They don't do a very good job of communicating that impact. And it is just as important to be strategic about the communications function in a foundation as it is to be strategic about grantmaking."

Jim Canales said the Irvine Foundation posted its 2006 progress report on its website to share with other foundations and invite feedback, but also for transparency. "It's the subtitle of Joel's book, *A Great American Secret*," said Canales. "Transparency is one of the greatest attributes that we ought to bring to our work in philanthropy. We need to put out there what we're doing, what we're learning, what mistakes we're making—warts and all."

One audience member asked, "We make this information available. How do we make people aware of it?"

“We should all have good outreach efforts with the media,” said Jim Knickman. “I’ve been surprised in New York how the newspapers are interested in talking with us and hearing ideas. If you spend some effort, and we’re a small player, I think you can get the information out. We all don’t spend enough time making those contacts.”

Added Jim Canales, “One of the mistakes that we make is to do an evaluation report, post it, send it to our mailing list and then feel like we’re done. One thing we have done at Irvine is to invest the resources in making technical evaluation reports into shorter, more digestible pieces, understood by the layperson. Then we’ve started thinking about audiences and distribution in a more targeted and differentiated way.

It’s the media, policymakers, people in the field, outside partners in philanthropy. How do you get it in the hands of the people who care about it? At the end of the day, I don’t care if a particular report gets 50 hits or 5,000 hits, as long as it hits the right people.”

“If we don’t communicate our assessments in a coherent way, it won’t mean anything.”

—Jim Knickman

A third ingredient discussed by panelists that is found in foundations that demonstrate impact effectively: **high integration between their evaluation and communications functions.**

Consider the Robert Wood Johnson Foundation. Jim Knickman suggested that one reason his former foundation had success in this area of work was that staff from the “different worlds” of evaluation and communications concluded that “if we don’t communicate our assessments in a coherent way, it won’t mean anything.”

Joel Fleishman raised another example. “The Wallace Foundation, in New York, now does all of its grant-making in teams,” he says. “They have a representative from the program staff, research and evaluation staff, and communications staff. They’re all part of the process at the beginning. They have communication and research and evaluation strategies right there at the beginning, just like program strategy.”

Finally, a fourth practice emerged as essential to demonstrating impact: **bringing outsiders in.** Jim Knickman discussed how the Robert Wood Johnson Foundation often invites outside experts to contribute to the annual anthology the foundation publishes documenting experiences, findings and lessons learned from its funded programs. Jim Canales talked about bringing in a national expert to write an independent analysis of a significant mid-course correction of a major initiative.

“These are really important examples of introducing outsiders and giving them the authority to write independently about what you as a foundation do,” said Joel Fleishman.

COMMENTARY

Question 3: How can foundations make it happen?

SUSAN BELL: At Hewlett, we're trying to do it in broad and targeted ways. Our communications director talks with state and local leaders about what funded work was done in their district. We'll have our **board meet with elected officials**—recently it was with the Governor of Colorado when our board met in Aspen—to talk about issues relevant to their constituents. We have a rather rigorous grant application and reporting process and we post some grant results on our website. And within our foundation we have a competition for best and worst grant of the year. Staff nominate grants, analyze what happened and identify lessons learned. It builds camaraderie and you see how difficult this work is. It would be great to do something like this on a field level.

PHIL BUCHANAN: Those foundations that are **really strategic and focus relentlessly** on the pursuit of a few, clear goals can often tell a powerful story about their performance and make a strong case for their impact, as Joel's research indicates and as research CEP has conducted also suggests.

ROB COLLIER: One of our challenges, quite clearly, is that we have to **invest in collecting data**. We're not using the relationship between grantmakers and grantees strategically to collect that data. I find nonprofits who will say, "We want to tell these foundations that we are making an impact and getting things done but they don't want to know. They don't read the reports, they don't even acknowledge the reports. Why should we send them this stuff if nothing happens to it?" I have policymakers in Michigan who want to know what impact foundations are having on early childhood development, and getting that impact data is like pulling teeth. We need to have a data collection system that everybody agrees to and also agree on how we're going to talk about impact. I hear people explain it in a thousand different ways.

KATHLEEN ENRIGHT: Too frequently evaluation is seen as something that is externally imposed for accountability purposes. "Did they do what they said they would do?" For my money, I'd rather invest in leaders and organizations that adapt to changing circumstances and patently don't do what they said they'd do when they've learned something that changes their thinking. This requires a great deal of trust. Some foundations are moving from top-down accountability—they impose objectives on grantees and then assess whether grantees have reached them—to a **stakeholder model of accountability** in which grantmakers set out to learn about their impact from local communities.

PAUL GROGAN: Because foundations don't have a tradition of communicating about their accomplishments, they often are **out of touch with their own work**. When I got here six years ago, I knew the foundation had a stellar record in supporting housing and community development. I asked everybody, "What other great accomplishments was the foundation responsible for?" Nobody knew. We've gone back into the history of the foundation and excavated, almost like an archaeological dig, some of the most important foundation investments in the Boston community. We call them our "greatest hits" and talk about them all the time. It's really increased appreciation for this institution in the city.

"Within our foundation we have a competition for best and worst grant of the year. Staff nominate grants, analyze what happened and identify lessons learned. It builds camaraderie and you see how difficult this work is."
—Susan Bell

PATTI PATRIZI: To make it happen you need foundations to recognize their own history and purpose in the world, and you need **meaningful foundation-wide assessment**, which I haven't seen. Where do foundations really grapple with the questions: Have you advanced your mission? Have you identified the best practices and helped foster them? Have you populated a field with good leaders and ideas and capacity to execute those ideas? Do you have good information, focused on issues of strategy, to help you know if you're getting there? One of the big issues is that many foundations have taken report cards and made them more about indicators of productivity than progress on results.

TIM WALTER: In the eyes of nonprofits, one opinion is that foundations are the equivalent of the independently wealthy—we don't have to work for a living and can do what we want with our days. When foundations fail to accomplish stated impact goals, I can't name one CEO or board that has been removed in a timely fashion. Maybe we'd get more distance in generating political empathy if a few foundation folks would get **publicly canned for not delivering impact**. Another problem with foundation statements of impact is that they're often so boring—made for general appeal. Instead of trying to please everyone, maybe we should communicate that “this foundation is on my side, and that one is against what I believe.” If voters see that they have some foundations that are on their side, they'll support a system that allows the foundations to thrive.

“When foundations fail to accomplish stated impact goals, I can't name one CEO or board that has been removed in a timely fashion. Maybe we'd get more distance in generating political empathy if a few foundation folks would get publicly canned for not delivering impact.”

—Tim Walter

4. What role should the board play?

Foundation trustees were seen as playing critical roles in a foundation's effort to demonstrate impact more openly and effectively.

Jim Knickman attributed the Robert Wood Johnson Foundation's strong efforts over the last decade assessing aggregate foundation impact to a push from board members.

"We would tell them about a program evaluation, usually of one fairly modest investment, done years after we've lost interest in the program area," he said. "The board would respond, 'We're really more interested in whether the whole set of grants on tobacco control is having an impact. Are we making a difference as an organization on the areas we choose to work in?' Which is very different from saying, is this precious idea affecting people more positively than that precious idea? There was **a real drive from trustees.**"

Board members of The James Irvine Foundation bring a similar focus on big questions of impact, Jim Canales said. "There's not a board meeting that goes by where trustees don't ask such questions as: Are we making a difference? Are we adding value? And corollary questions: Are we taking sufficient risks? Are we making big enough bets? And those may not seem to be impact questions but they absolutely tie to impact."

Canales pointed to two strategies that help to get the most from the board on big impact issues.

"The first is to really have absolute clarity in organizing your board meetings—that they're **organized around the big strategic questions** and issues that your foundation is facing.

Too many board meetings are focused on transactional activity—committee reports, budgets, grants. The question for me is, when and how do we organize our meeting around those big strategic questions? Invariably, if you're doing that, those questions are going to get tied back to impact."

"The second is to foster in your board room **a culture of debate**, of discussion and even disagreement. One of the most deadly things in foundation boardrooms is a culture of civility. It can become so insidious that it really gets in the way of having really serious, open discussions where people disagree in a constructive fashion with one another. How many times have we been part of board meetings where you have a discussion, five different views have been presented, and the chairman says, 'That was a really great discussion, and I know the staff is now going to figure out what to do with it.' That is a huge problem."

"There's not a board meeting that goes by where trustees don't ask such questions as: Are we making a difference? Are we adding value?"
—Jim Canales

COMMENTARY

Question 4: What role should the board play?

TIM WALTER: The board has got to accept that, statistically, some years are going to be worse (and some better) than others simply through luck of the draw. But over time, if your CEO is not **coming to you with failures**, you're doing something wrong.

PATTI PATRIZI: The board should play more of a role, but it takes time. They ought to drive mission and purpose and should be asking questions about whether and how the foundation is advancing mission. They ought to believe the institution has a dedication about a long-run purpose. The problem is that boards need to know more and also suffer because of changes in focus. **They can't keep up.**

MAX KING: Often the reluctance to be public comes from the board. You've got to do work, **board member by board member**. In my case, it was relatively easy, because our chair was convinced of the importance of communications. I spent a lot of time with individual board members on this subject, and the thing that mattered to them was how communications could increase the impact of our work in Pittsburgh. It has to be about effectiveness and not as a sector duty. It's terribly important to have those conversations with boards about the value of communications as a key part of foundation strategy.

KATHLEEN ENRIGHT: In past years, many of us over-promised what might be knowable or demonstrable to our boards of directors. Now we find it necessary to back away from some initial promises. When we over-promise, we set expectations that cannot be met. It's no wonder that board members begin to question the value of these efforts. The only way to garner long-term support of this work is to invest a substantial amount of time to educate board members and engage their imaginations. Staff needs to **set expectations** and be clear with the board about what is reasonably knowable in what time frame.

ROB COLLIER: Boards of trustees need to ask the "impact" question of their staff and of their grantees. **Invite grantees** to board meetings to share lessons learned, and consider making site visits as well. And invest in impact by providing adequate resources and time—multiple years—for grantees to take the time to reflect and demonstrate impact. Evaluating impact after twelve months can be unrealistic.

EMMETT CARSON: We need to be very clear with the board at the outset about how we will know if we're succeeding and also who we need to show we're succeeding. Too often **we oversell boards** on what's going to occur. They walk out with a huge vision when they approve the grant of all the wonderful things that will occur. And when evaluations come back—and evaluations are always a mixed review—they feel let down that some of the work wasn't accomplished. We've got to help trustees understand the risks and that this is a learning process and not simply declare success or failure.

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—Kathleen Enright

PHIL BUCHANAN: I have been in the boardrooms of dozens of large foundations presenting results of CEP assessments and I could not agree more with Jim Canales' recommendations. They're right on. I'd even go a bit further and say that boards need to insist on clear goals, coherent strategies, and robust and relevant performance indicators. Then, and this is where the proverbial rubber meets the road, they need to rigorously assess the CEO on the basis of foundation performance. Too few boards—and I believe this is true in corporate America, too, by the way—**assess their CEOs rigorously** enough. That doesn't mean firing CEOs who don't hit all their performance targets. But it does mean that CEO performance should be judged on agreed-upon criteria and informed by real data on how things are going—not board members' gut feelings.

“Boards need to insist on clear goals, coherent strategies, and robust and relevant performance indicators. Then, and this is where the proverbial rubber meets the road, they need to rigorously assess the CEO on the basis of foundation performance.”

—Phil Buchanan

5. How should foundations talk about failure?

Perhaps the hottest topic of the session was the challenge of what to do when there is no impact to demonstrate. The consensus: it might be as important to talk about when funded programs fall short of their goals as when they reach them.

“The more foundations talk about the mistakes they make, the more human the public is going to realize they are and the more they’re going to believe us when we claim we’re achieving impact,” said Joel Fleishman. “As long as we tell people only about successes and never mention failures, they’re not going to believe the successes.”

Unfortunately, Fleishman added, few foundations are talking about mistakes. In his research for *The Foundation: A Great American Secret*, Fleishman says he could document only five instances “where foundations have gone public with their failures.”

Jim Knickman contrasted foundation sheepishness around communicating failure with the **openness of the science world**, where knowledge is considered public property. “Ideas fail more than foundations or grantees fail,” he said. “We need to reframe what we do in terms of what we’re trying to learn. I don’t think anybody says to a scientist, ‘Okay, you did your lab study and it didn’t come out as significant, you’re a failure.’ You move knowledge through both the significant results and the non-significant results.”

“I think this issue of failure also **comes back to governance**,” said Jim Canales. “How does your board and institution think about failure and talk about failure? That’s a good conversation to have.”

Canales had such a conversation with his board, focused on “the largest single initiative we’ve ever undertaken, a \$60 million initiative focused on after-school programs in California. And about five years into it, we discovered that this initiative was not on track.” The foundation engaged in a significant mid-course correction, the subject of a recent independent analysis by Gary Walker, the President emeritus of Public/Private Ventures.

“The more foundations talk about the mistakes they make, the more human the public is going to realize they are and the more they’re going to believe when we claim we’re achieving impact.”

—Joel Fleishman

“It was one of the most successful failures I’ve seen.”

—Jim Knickman

“This was an interesting report for me to be a part of, because I was Vice President at the time that that initiative was conceived,” Canales said. “So now, as CEO of the foundation, putting out this report to say, we didn’t quite get it right, it’s a little bit dicey. But on the other hand, I think that’s exactly what we need to be doing. It’s easy for foundations to reflect on the failures of those who preceded them. We need to talk about failures, what lessons we’ve learned, and how might those lessons be applicable to other philanthropies.”

Jim Knickman recalled a Robert Wood Johnson Foundation program on end-of-life care, and the foundation’s subsequent **openness about its shortcomings**, as a good model. “It was going to be this demonstration that had a big impact. It didn’t work at all. But it really transformed the way people thought about end-of-life care, because something that seemed like it obviously should work didn’t work. It was one of the most successful failures I’ve seen.”

COMMENTARY

Question 5: How should foundations talk about failure?

SUSAN BELL: We've published evaluation reports that were less than favorable about our work and have made an effort to talk about failures as much as successes. As a field, my sense is that research and talking alone won't get us there—**foundations need to push the envelope**, talk about what hasn't worked, and create peer pressure that makes it unacceptable not to be transparent.

PHIL BUCHANAN: I applaud Joel Fleishman, Jim Knickman, and Jim Canales and foundations like RWJF, Wallace, Irvine, and Hewlett for being on the vanguard in talking about their failures. (Full disclosure: CEP has sought grants from three of these foundations and is currently supported with significant general operating support grants by Hewlett and RWJF.) They recognize that if knowledge is gained that something isn't working, it's essentially **indefensible not to share that knowledge** so others can avoid making the same mistake and all can learn from experience. Jim Knickman's example of how insights on the shortcoming of RWJF's end-of-life care work advances the understanding of those working in this area, informing future strategies, demonstrates this point well.

EMMETT CARSON: One story: The governor (Gov. Tim Pawlenty) of Minnesota was proposing to significantly cut back on social programs to balance the budget. We initiated a campaign as a foundation to stop those budget cuts, partnering with nonprofits to show how it was misguided. We resoundingly lost...though later we were able to help get some funds back in. Two years before, we ran a similar campaign with Governor Ventura, and we won. If I just use the first campaign, we won; the second campaign, we lost. We **can't just communicate either/or**. People asked did it succeed or fail. I say it did both.

ROB COLLIER: Failure is perhaps the wrong word to use because it has such a negative connotation. As a grantmaker and grantseeker, I have experienced projects where the **unanticipated consequences** have proven to be valuable even though the expected results did not materialize. Not producing the planned outcomes can still cause impact. Grantees need to know that they will not be banned from future support if a project does not work. The key is how have folks learned. So let's encourage foundations to ask about impact, change and learning.

KATHLEEN ENRIGHT: Philanthropy needs to accept that taking risks is an integral part of the work of social change. The responsibility to talk about failure doesn't stop with publishing a lessons-learned report in which you **own up to your mistakes**. Grantmakers also need to own up to the *consequences* of their mistakes—and then take the risk of trying to set things right.

"If I just use the first campaign, we won; the second campaign, we lost. We can't just communicate either/or. People asked did it succeed or fail. I say it did both."

—Emmett Carson

"The critical difference between philanthropy and the public sector is that we can and should take risks! And because we take risks, there will be times we fail. It is, quite simply, part of our role."

—Steve Gunderson

STEVE GUNDERSON: The critical difference between philanthropy and the public sector is that we can and should take risks! And because we **take risks**, there will be times we fail. It is, quite simply, part of our role. We should not hesitate to openly communicate what works and what doesn't work. Through such communication and transparency we not only earn our public trust but help others in the philanthropic community learn from our work.

MAX KING: It goes back to the argument that foundations should be risk-taking institutions. If you believe, as we do, that foundations are in a unique position in society to take risks—we don't have to run for office or satisfy shareholders—then you realize that a higher level of risk means a higher level of failure. And what's the **value of failure** if you keep it a secret? If you're being aggressive about communicating the lessons you learn from failure, as we did in 90s about an early childhood initiative, there's enormous value to your client—the larger community. We're a public trust institution, and that public trust extends to telling the public what's working and what's not working.

PATTI PATRIZI: The example Jim Knickman cites is the best I know of. The foundation **used the failure brilliantly**. They used it to enlarge the framing of the end-of-life-care problem, made it the responsibility of health care providers, created a set of actions that people could take. You need to have a vision that's bigger than an investment in any one thing. They said, "Let's figure it out." They didn't get stuck in personalizing it or assigning blame.

"You need to have a vision that's bigger than an investment in any one thing. They said, 'Let's figure it out.' They didn't get stuck in personalizing it or assigning blame."

—Patti Patrizi

What's next?

We hope this document serves as the opening salvo of an **ongoing conversation**, a preliminary step in a significant effort by the Philanthropy Awareness Initiative and our partners to support foundations as they improve their demonstration of impact, individually and collectively.

We invite **your ideas and participation** in this important project, which will seek to help you:

- Connect and collaborate with other foundations working on some of the opportunities identified by the commentators in this document, such as communicating stories of impact, sharing and learning from failure, improving news media coverage, integrating evaluation and communications, and establishing stronger relationships with local elected officials.
- Share other solutions you may have discovered with others in philanthropy.
- Tap good communications consultants and resources to support work on these opportunities.
- Identify and fill gaps in research, analysis, expertise and practice that can make you more effective in demonstrating impact and engaging leaders from other sectors in your work.

Join the community of foundations and other interested groups working to demonstrate philanthropy's impact. Contact Mark Sedway at mark@philanthropyawareness.org. Learn more at www.philanthropyawareness.org.