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Public Accountability for Private Action

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PRESIDENT'S ESSAY

PUBLIC ACCOUNTABILITY FOR PRIVATE ACTION

"As a group, they are institutions like no others, operating in their own unique degree of abstraction from external pressures and controls, according to their own largely self-imposed rules. They are private, and yet their activities cut across a broad spectrum of public concerns and public issues. They are the only important power centers in American life not controlled by market forces, electoral constituencies, bodies of members, or even formally established canons of conduct, all of which give them their extraordinary flexibility and potential influence. Yet they remain little known and even less understood, shrouded in mystery, inspiring in some the highest hopes and expectations and in others dark fears and resentments."[1]

This characterization of foundations by the late Waldemar Neilsen in his 1985 book, *The Golden Donors*, remains pertinent more than two decades later: to most of the public, foundations are still mysterious. And as Joel L. Fleishman points out in his new book, *The Foundation: A Great American Secret*, this lingering air of mystery leaves the foundation sector vulnerable to misunderstanding with little in the way of public good will to fall back on. "The only way for foundations to protect the freedom, creativity and flexibility they now enjoy, and which they need if they are to serve society to their fullest potential," Fleishman writes, "is to open their doors and windows to the world so that all can see what they are doing and how they are doing it."[2]

Sharing what we're doing and learning has long been a priority at Wallace, and the past several years have seen a growing number of foundations also taking steps to "open their doors and windows." Some aspects are easy to report on: program initiatives, the purpose of individual grants to specific organizations, a foundation's overall financial health. Less easy to measure, and more difficult to discuss publicly, are the *results* of a foundation's work. What progress have we made toward our ambitious social change goals? How do we know? How can we talk about what didn't work? These are the issues that we and other foundations are wrestling with.

SHARING THE LESSONS — BOTH GOOD AND BAD

At Wallace, we've been committed for some time to making public the evaluations of our program initiatives: what's worked, *and* what hasn't.

For example, the Urban Institute's 2001 publication, *Ahead of the Class: A Handbook for Preparing New Teachers from New Sources*, described the results and lessons from an evaluation of Wallace's Pathways to Teaching Careers initiative. The report examined the Pathways model, which was funded by Wallace in 40 colleges and universities in 23 states between 1989 and 2001 to recruit, prepare and certify teachers from nontraditional candidate pools. The report documented that Pathways graduates outdid traditionally educated candidates in completing their certificates, and were likelier to stay in the profession and teach in high-needs schools. In 1998, Congress and the U.S. Department of Education used Pathways as a model for teacher-recruitment legislation contained in the Higher Education Act that was reauthorized that year.

More cautionary lessons emerged from an evaluation by the Urban Institute of our Community Partnerships for Cultural Participation (CPCP) initiative that included grants to 10 community

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foundations from 1998 to 2003 to develop partnerships with arts organizations in order to help generate greater participation in the arts. What we learned, in fact, was how very difficult such partnerships among cultural organizations can be to manage or sustain — particularly when, as is often the case, the needs of the collaborating organizations are not compatible enough or the prospect of getting a foundation grant is the prime motivator for entering the partnership in the first place.[3]

Along with the research about our work that we have commissioned over the years, more recently we have published our own accounts of what we’re learning. *Beyond the Pipeline: Getting the Principals We Need, Where They Are Needed Most* synthesized findings from three commissioned studies about the challenges of recruiting high-quality principals and concluded that the common wisdom of a “national shortage” of school leaders was misguided. Instead, we argued that what’s needed is not adding more principals to the pipeline, but better conditions and incentives to attract highly qualified leaders to districts and schools with the highest needs. This publication, first issued in 2003 and subsequently reprinted, remains a top seller on our website in terms of downloads.

In 2006, we published several other Wallace Perspectives that offered our take on a range of topics, including school counseling, “creative philanthropy,” and a detailed description of our working hypothesis of how states and districts can create well-connected systems that better prepare and support education leadership. More details about that last report, *Leadership for Learning: Making the Connections Among State, District and School Policies and Practices*, are contained in the Year in Review section of this annual report.

HOLDING OURSELVES ACCOUNTABLE

Since 2003, we have also produced an annual internal assessment, our “State of the Foundation Report,” which is the sole topic of discussion at one board meeting a year. We use this report to help us measure our progress across the Foundation’s activities, identify challenges and setbacks, and develop future priorities to propel the work.[4] These reports contain lots of data and evidence about how we are doing. But the harder task has always been adding up all the evidence to succinctly and candidly answer the questions of “what’s working?” “what’s not?” “what are the trends?” and “what do we need to do next?”

So in 2006, we developed summary indicators that “rolled up” the more detailed information in the report into a much smaller handful of performance measures. Such summary indicators are more obvious for some aspects of our operations than for others. As a metric of our operational capacity, for example, we can readily chart the growth in our assets ($1.57 billion as of December 2006, up $130 million from 2005, and up $420 million since 2002). It’s far more complicated to devise roll-up measures to capture our progress in our programmatic work in education leadership, out-of-school time learning opportunities or arts participation, each of which is in a different stage of development. Is there really a single “bottom line” for this kind of work that would be the equivalent of, say, annual net income in a for-profit organization?

In reviewing Robert Kaplan’s and David Norton’s work on The Balanced Scorecard[5], we were struck by a key insight: that it is necessary but not sufficient to measure the “bottom line.” Financial results reflect performance in a number of areas; therefore, organizations need to measure those other areas that reinforce financial performance and organizational health.

As a nonprofit organization, of course, our ultimate goal is not financial gain but progress toward the social change goals expressed in our mission. Nonetheless, we thought the major conclusions expressed by Kaplan and Norton about measuring the progress of corporations applied to us. With that in mind, we identified the elements that would drive our equivalent of “profit” — that is, what we need to do, and keep track of, to make progress toward our core goal of enabling institutions to expand learning and enrichment

More than 650 young people take part in a variety of youth development programs at Harlem RBI. It is one of the organizations involved in New York City's efforts, supported by The Wallace Foundation, to lift the quality of out-of-school time opportunities and make them available to many more children.

opportunities for all people by supporting and sharing effective ideas and practices. For us, those elements are:

- The financial assets and human resources necessary to make a difference in solving stubborn social problems.
- A "pipeline" of promising ideas.
- Credibility and a reputation as a source of effective ideas among those with the authority to make change in the fields we are trying to inform.

To capture succinctly our status and our growth in those key elements, we developed a new "Summary Perspective" section in our 2006 State of the Foundation Report organized around the following dimensions: Goal Attainment and Impact; New Ideas and Practices in Development; External Constituents; and Operational Capacity.

Goal Attainment and Impact
This section focuses on no more than two or three indicators that summarize progress in our grantee sites that is both essential to achieving our overall program goals, and can be directly attributed to their participation in Wallace's initiatives.

New Ideas and Practices in Development
This section is the foundation equivalent of an R&D pipeline. It identifies various "idea products" we have under development, drawn from our work in our innovation sites and our research.

External Constituents
This section measures our reputation among external constituents (grantees, policymakers, others) whose policies and practices we need to inform if we are to achieve our long-term change goals.

Operational Capacity
This section measures key aspects of our organizational health as a foundation (asset growth, expense trend, staff retention) that are the necessary precondition of our ability to achieve our mission-related social change goals.

Identifying the most important topics to measure, selecting the right indicators, choosing the right kinds of evidence, arriving at accurate progress assessments, and then acting on them, has not been easy. But the benefits are real and

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tangible. As Wallace's director of research and evaluation, Edward Pauly, told a gathering in March 2007 of the Center for Effective Philanthropy, the benefits to our Foundation have included:

- Clearer goals — for example, the goals of one of our major initiatives were revised because draft progress measures revealed issues left unclear in grant designs.
- Sharpened funding — armed with the evidence we gathered for the State of the Foundation report, we decided to tie renewal funding for a major initiative's grantees to those with the greatest five-year progress on key goals.
- Greater emphasis on lessons — knowing the limits of the evidence we have about progress toward initiative goals led us to redesign one of our programs to enable our grantees to gather more reliable data on their progress.

FROM INTERNAL ASSESSMENT TO PUBLIC ACCOUNTABILITY

Our experiences to date in developing our annual State of the Foundation report have taught us two cardinal rules:

- First, less is more. A progress "scorecard" that is cluttered with boxcars of evidence and data is almost meaningless as a management tool. Our first report in 2003 committed this "sin" of comprehensiveness: it contained more than 150 progress indicators in our three focus areas, far too many for a mere mortal to fully grasp. In contrast, the report we will share with the board in 2007 will have fewer than a dozen progress indicators.
- Second, no rosy scenarios. Because our State of the Foundation report is for internal use only, staff can be — and are encouraged to be — thoughtfully reflective and clear-eyed as to the strength of our program designs, the performance of our grantees, the setbacks we've experienced, and the challenges we see ahead.

Although our State of the Foundation Report is not public, much of the analysis it contains is included in the Year in Review section that follows this President's Letter. Sharing both the positive and cautionary lessons we are learning from our work has public value beyond just an act of candor and accountability. By doing so, we hope to inform others who are working on the same issues, many of whom will never get grant support from us.

Public accountability for the private actions of foundations is a desirable thing, but it has its costs. As Goethe said, "To think is easy. To act is hard. But the hardest thing in the world is to act in accordance with your thinking." It takes time and resources to gather and analyze data and then use that analysis to critique your current course of action. It takes courage to admit when things haven't worked out as planned and then make necessary corrections. However, we believe that the benefits of such self-reflection and subsequent action fully justify those costs and that this approach is necessary if foundations are to increase their effectiveness and fulfill their potential to society.

M. Christine DeVita, President

ENDNOTES

1. Neilsen, Waldemar A. *The Golden Donors: A New Anatomy of the Great Foundations*. (New York: E.P. Dutton, 1985) 4.

2. Fleishman, Joel L., *The Foundation: A Great American Secret*, (New York: PublicAffairs, 2007) xiii. Fleishman is currently Professor of Law and Public Policy at Duke University, was formerly president of the Atlantic Philanthropic Service Company and has served on a number of foundation and corporate boards.

3. See *Cultural Collaborations: Building Partnerships for Arts Participation*, and *Partnerships Between Large and Small Cultural Organizations: A Strategy for Building Arts Participation*, by the Urban Institute. Both publications can be downloaded from the Knowledge Center at www.wallacefoundation.org.

4. The lessons from our early efforts at creating this annual self-assessment report are chronicled in *How Are We Doing? One Foundation's Efforts to Gauge Its Effectiveness* available on our website at www.wallacefoundation.org.

5 We also looked at Kaplan's work on strategic performance measurement and management in nonprofit organizations, Harvard professor Mark Moore's work on public value scorecards, and McKinsey's John Sawhill's article (written with David Williamson of The Nature Conservancy) on *Measuring What Matters in Non-Profits*.