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PERSPECTIVE

HOW ARE WE DOING?

ONE FOUNDATION'S EFFORTS TO GAUGE ITS EFFECTIVENESS

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Questions about governance, accountability and transparency have been at the forefront of current discussions about the management of foundations and other nonprofit organizations. These are important questions because strong governance practices, rigorous accounting policies and regular public reporting are bedrocks upon which all well-managed organizations rest. However, for an increasing number of foundations, this is no longer enough. For them, thoughtful responses to calls for accountability and transparency go beyond finances and governance practices to measures of program results and public value – in short, to organizational effectiveness.

In any well-run enterprise, assessing progress toward well-defined goals is not a rote exercise, but a necessity for success and survival. In the corporate world, where the rewards for efficiency and the punishments for miscalculating the market can be swift and merciless, asking the right questions to determine effectiveness, gathering and assessing evidence on a regular basis, and acting on the results, are de rigueur. In the public sector, there are numerous examples of government agencies developing clear goals and appropriate data to measure program performance so that policymakers and the public have some factual basis for action.

In the philanthropic sector, however, regular analysis of progress toward goals has, until recently, been much less common.[1] The increasing number of foundations that are looking for ways to measure their effectiveness find few self-assessment tools appropriately tailored for philanthropic work. At Wallace, through trial and error, we found that the solution to this dilemma was to ask the right questions. This article chronicles the steps (and mis-steps) in our efforts to find a way to gauge our own organizational effectiveness. We offer it in the hope that it may be helpful to others struggling with the same issues.

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THE "SO WHAT" QUESTION

Our journey began more than five years ago when we asked ourselves the "so what" question: "Foundations measure their performance in terms of asset size and annual grants awarded. We gave away $60 million last year. So what? What did it accomplish? What did it change? Did it create anything of value? What lessons were learned? And how do we know?"

We didn't have ready answers to the "so what" question then. But we felt it was the right question to ask and we set about trying to get answers – not just for specific program initiatives but for the Foundation's work as a whole.

CREATING THE RIGHT TOOL – EARLY LESSONS AND EXPERIENCES

In our first attempt to develop a foundation-wide progress "scorecard" for our Board and our staff, we followed a natural impulse to be comprehensive. After all, the work that we and those we fund do is complex and nuanced. Shouldn't a full, fair and accurate assessment of that work reflect and capture all of its complicated textures?

In practice, however, this impulse – in favor of completeness and against presenting a "simplistic" picture of our progress – turned out to be helpful in some ways, but fundamentally wrong-headed in others.

It was quite helpful, on the one hand, in that it led us to an early decision to look holistically at Wallace's operations and how every aspect of our activities was contributing to meeting our goals. As a result, we reported on the following areas using appropriate comparisons to peers or other performance measures:

- Organizational health (which includes our financial resources, investment returns, and operating expenses as well as the stability, diversity and capabilities of our staff).
- Progress against our stated goals in our three focus areas of education leadership, out-of-school learning and arts participation.
- Public outreach (including number of website visits, Wallace-commissioned publications released, earned media coverage, and staff speaking engagements).
- Our reputation among grantees and field leaders.

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While this "show all" impulse had the positive result of creating an assessment that tracks the performance of the totality of our operations, we also learned that presenting a comprehensive look at all aspects of the work in our three focus areas seriously undermined the tool's clarity and utility. The sections of our first annual report dealing with our progress in education leadership, out-of-school learning and arts participation, provided 22 pages of detailed short-, intermediate- and long-term goals, an articulation of the desired result for each, and a description of activities that demonstrate progress toward each desired result.

This level of detail proved unhelpful either in creating a usable management and planning tool for staff use, or in communicating our progress clearly and concisely with our Board. This experience taught us an important lesson: in organizational performance assessment, ***less is more***. You can't report on and assess everything without sacrificing clarity and understanding.

So we went back to the drawing board. The challenge was to keep the holistic, foundation-wide approach, but to be far more selective and limited in the topics we covered, and in the amount and kinds of evidence we would commit ourselves to collecting each year from grantees and others in order to track our progress. But how would we decide on the right topics that will indicate progress (or lack thereof), particularly in our focus areas?

1. IDENTIFY THE MOST IMPORTANT TOPICS TO MEASURE

In some aspects of our operations – for example, human resources or investments – the selection of topics was relatively straightforward. We can readily chart the performance of our investment portfolio and compare our operating expenses against our peer group. To determine how our HR operations are performing, we can look at the diversity and qualifications of our staff, staff turnover, and the opportunities we offer for professional development.

The challenge of identifying the right topics to assess the progress of our programmatic work was considerably greater. We needed to devise a way to capture not only whether we and our grantees were satisfactorily meeting agreed-upon annual plans, but whether this work was getting us closer to the large-scale change goals we were seeking.

We found that the key to solving this challenge was to ask the right questions – meaning, questions that mirrored our particular approach to the work and whose answers were most likely to yield a meaningful assessment of our progress. Here are the ones we chose:

- *"Are our grantee partners satisfactorily working their plans?"* This is a plan vs. performance question. If our partners are not effectively implementing the work we agreed upon, change – either short or long-term – is unlikely to happen.

- *"Are our partners incorporating the changes they are making in the way they do their work?"* This is an institutionalization question. If our grantees are not themselves adopting the changes they proposed, no larger change is likely to occur.

- *"Are people in our grantee sites benefiting?"* This is a public value question. Is the result of our grantmaking actually producing benefits for people?

- *"Are we producing and effectively promoting useful knowledge?"* This gets to foundation effectiveness. Are we learning from our work? Are we capturing results and sharing them with others so as to benefit those beyond our direct grantees?

2. SELECT THE RIGHT INDICATORS

Deciding the right questions was relatively easy. More difficult was choosing among the myriad ways to answer those questions by finding the best indicators of progress.

In making our selection, we considered credibility, clarity, relevance, availability and cost. Did we feel confident enough about each indicator that we could live with it for a number of years so that progress could be clearly, consistently and comparably measured? And could the required supporting evidence be gathered without undue cost or burden to Wallace or grantee staff?

Particularly useful in guiding our selection were examples of "proxy metrics" drawn from other fields. That is, wherever possible we sought indicators that didn't pretend to tell "the whole story," but nonetheless suggested movement or progress well beyond what they were actually measuring – analogous to the Dow Jones average as a proxy for the performance of the entire stock market, or the GDP as a proxy for how the economy is doing.

An example of such a proxy indicator in our own assessment tool was our decision to chart annual growth in the number of visits to our website as one telling indicator of the effectiveness of Wallace's overall public outreach efforts.

3. CHOOSE THE RIGHT KINDS OF EVIDENCE

In performance measurement there is often a tendency to measure those things you can easily count. In philanthropy, the things you can count may not be the most important evidence of progress. So we decided to use objective data, empirical and anecdotal evidence, along with staff professional judgment, depending on the nature of each question we asked.

> *"In performance measurement there is often a tendency to measure those things you can easily count. In philanthropy, the things you can count may not be the most important evidence of progress."*

For example, a major change goal in our arts participation work has been to help grantee arts organizations attract more diverse audiences. So one indicator we selected to track progress was this question: "Are more people from diverse demographic backgrounds attending arts performances or exhibits in our partner arts organizations?" Such a question readily lent itself to a comparatively straightforward, data-driven answer: our grantee arts organizations showed median year-to-year attendance gains of 15% for low-income and 11% for non-white participants.

By contrast, when we asked the broader question whether our partner arts organizations were meeting annual performance benchmarks for Wallace-funded work, the answers necessarily reflected a more subjective blend of grantee evidence and our staff's assessments. While some of the measures are qualitative, they were useful in showing how much progress toward performance goals was achieved.

Here again, "less is more" was a cardinal rule. Wherever possible, we limited ourselves to two or three pieces of supporting evidence to document our progress toward any particular objective.

4. DEVELOP AND CLEARLY PRESENT THE PROGRESS ASSESSMENTS – AND ACT ON THEM

If an assessment tool is to be useful either in tracking progress or in pointing us to appropriate future plans and priorities, it needs to contain real verdicts – based on our collective professional judgment and supported by appropriate evidence. Is year-to-year progress toward each of our goals satisfactory, or not?

For every progress indicator, we provided "real verdicts" by offering a combination of a "core finding" that summarized staff's bottom-line judgment of how we are doing, coupled with a clear visual depiction of that progress: a speedometer-like "gauge" that allowed us to plot how much yearly progress we thought we had made toward our goal. *(see sample question below)*

The value of making these progress assessments goes beyond the judgments made, to their implications for planning our future work. For example, an assessment that principal training was up by 20% but that the quality of that training had not yet been rigorously assessed meant that we needed to pay much more attention to training quality issues. The performance assessments from one year directly inform our goals and priorities for the following year.

WHAT USE IS PERFORMANCE ASSESSMENT?

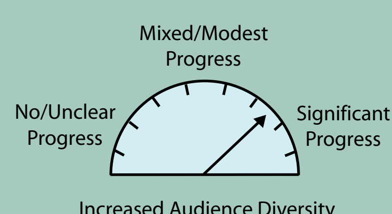
Our efforts to measure our organizational effectiveness are still in their early developmental stages at Wallace. Nonetheless, they have already provided significant benefits that we believe any foundation, regardless of size or mission, might find valuable.

Thinking deeply about how to measure our progress involved our entire staff in sharpening our goals and taking a fresh look at their degree of difficulty. Assessing our progress, in other words, also led us to consider whether our goals were sufficiently clear and concrete.

TRACKING OUR PROGRESS: A SAMPLE QUESTION FROM THE WALLACE FOUNDATION ASSESSMENT TOOL

Are more people from diverse demographic backgrounds attending arts performances or exhibits in our partner arts organizations?

Core Finding:
Partner arts organizations that collect demographic data reported significant attendance gains among low-income and non-white participants from 2002 to 2003.



Evidence:
Median increases of 15% for low income and 11% for non-white participants.

This process also encouraged us to take into account how all aspects of our foundation's operations are contributing to our progress – not only program, communications and research activities, but also the performance of our investment portfolio and our human resources unit, thus helping all of our staff see how they contribute to our overall mission.

We've found that a well-designed assessment tool can also be a helpful management tool. It can pinpoint strengths and weaknesses in our internal operations as well as in the performance of our partner grantees. It is also a communications tool – providing staff and Board with an invaluable new way to look at our work as a whole and have strategic conversations based on facts and candid assessments of our progress.

Foundations have a distinctive role to play in society. Because they sit at the intersection of corporate, governmental, and nonprofit sectors, but are free from some of the external constraints of those sectors, foundations have the opportunity to take risks and, over the long-term, to help support the development of creative solutions to important problems. But to fully realize this opportunity, foundations need to look not only internally to ensure they have appropriate internal governance and accountability polices in place, but also externally to see how well they are meeting their program goals. It's the combination of the internal and external perspective that provides a measure of organizational effectiveness. And from our perspective, the process of asking "how are we doing" has been well worth the cost of figuring out the answers.

[1] *There are, of course, foundations that have been serious about addressing these issues for many years, most notably the Robert Wood Johnson Foundation which has produced an annual performance scorecard since 1993.*

TRACKING OUR PROGRESS: CORE QUESTIONS AND KEY INDICATORS IN THE WALLACE ASSESSMENT TOOL

Although we asked the same four core questions across our three focus areas, the specific indicators that followed from those questions were tailored to the goals of each program as reflected in the following chart:

CORE QUESTIONS	EDUCATION LEADERSHIP INDICATORS	ARTS PARTICIPATION INDICATORS	OUT-OF-SCHOOL LEARNING INDICATORS
Are our grantee partners satisfactorily working their plans?	Is leadership development improving? Are grantees defining and addressing the working conditions of leaders that need improvement?	Have our grantees met their annual performance goals for Wallace projects?	Have our grantees developed business plans for changing their systems of out-of-school learning?
Are our partners incorporating the changes they are making in the way they do their work?	Are grantees systematically tracking whether leader performance is improving? Are grantees making changes in working conditions in ways that will significantly improve leadership performance?	Are our grantees changing priorities and/or spending so that participation-building goals will continue to be pursued after grant funding ends?	Are our partner sites making institutional changes in the way they conduct their work?
Are people in our grantee sites benefiting?	How much progress are grantees making in closing the achievement gap between white and African-American students? In raising elementary reading and middle-school math achievement among all students?	Are more people attending arts performances or exhibits in our grantee sites? Are more people from diverse demographic backgrounds attending arts performances or exhibits in our partner arts organizations?	*(Indicators still to be developed because program just beginning)*
Are we producing and effectively promoting useful knowledge?	Have we produced knowledge that addresses key issues relevant to the field? Have we effectively shared that information with key audiences? Have key constituencies beyond our sites found and valued our knowledge products?	Have we produced knowledge that addresses key issues relevant to the field? Have we effectively shared that information with key audiences? Have key constituencies beyond our sites found and valued our knowledge products?	Have we produced knowledge that addresses key issues relevant to the field? Have we effectively shared that information with key audiences? Have key constituencies beyond our sites found and valued our knowledge products?