2009 Aligning for impact: CONNECTING THE DOTS

INSIGHTS FROM A GATHERING OF FOUNDATION EXECUTIVES AND TRUSTEES

Los Angeles, California
March 31 – April 1, 2009

THE CENTER FOR
EFFECTIVE PHILANTHROPY

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DEAR COLLEAGUES,

In a moment of economic crisis, more than 250 foundation leaders gathered in Los Angeles March 31–April 1, 2009, to consider how to align their resources for impact.

Keynote speaker Jim Collins equated the situation with conditions on Mt. Everest at 27,000 feet, where "there are massive forces outside of your control, and there are things that can definitely hurt you." Those conditions, he warned, may become the new norm. "We will regain prosperity," he predicted. "But the probability is low that we will return to the combination of prosperity and stability that we grew up with."

While the economic downturn is serious, foundation leaders — and leaders of other grantmaking organizations — focused on what they could do to meet this challenge. Sessions touched on the key elements of implementing a strategy; assessing individual and foundation performance; ways to best support grantees; what information funders should share and how to share it; and how to put all the elements together to achieve greater impact.

We are grateful to all the foundations that supported the conference, which are listed on the previous page, especially the Conrad N. Hilton Foundation, the lead sponsor of our conference. We also thank the many individuals who contributed to its success and the event's co-sponsors, Southern California Grantmakers and San Diego Grantmakers.

We are pleased to share this report distilling key insights from the conference. We hope you find in its pages practical wisdom as well as the inspiration to push for greater effectiveness and impact. Please also visit our Web site, www.effectivephilanthropy.org, to watch a video of conference highlights.

Let us know your reactions. We look forward to hearing from you.

Yours sincerely,

Phil Buchanan
President

Stephen B. Heintz
Chair, Board of Directors

Written by
Judith A. Ross

Special thanks to the CEP staff who helped develop content, especially Rachel Niederman and Kacie Sherman.

To view video clips of the conference, visit www.effectivephilanthropy.org.

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GOOD TO GREAT AND THE SOCIAL SECTORS

Jim Collins, Author, *Good to Great*

Base camp, Mount Everest: This is where you can hunker down in the safety of your tent, wait out a storm, and climb safely another day, said Jim Collins. But further up the mountain, at 27,000 feet, the storms are big and fast-moving, the environment is unforgiving, and uncertainty is the name of the game. "If you get caught off guard or unprepared there, you can be in serious trouble," the avid rock climber said.

"Most leaders in every sector feel that they are moving metaphorically higher on the mountain and that our world is going to be characterized by being more in the 27,000-foot environment than in the safety of base camp," Collins said. "The probabilities are very low that when we get through these times of great economic crisis that we're going to go back to a period of stability," he said. "What that means is that we have to know how to do really well at 27,000 feet because that may be our new base camp. The good news is that, properly framed, these are wonderful times because it is precisely in times like these when opportunities for massive and lasting contribution go up."

And great work, even under dire conditions, is attainable and within our control, Collins asserted. "Greatness is a function of choice, not circumstances. We are not imprisoned by our environment, setbacks, mistakes, or even staggering defeats along the way. We are freed by our choices and our discipline."

The Social Sector Is Unique

Author of *Good to Great* and *Built to Last*, Collins has researched why some companies thrive and endure and others do not. He also has studied nonprofits, publishing *Good to Great and the Social Sectors* in 2005. He argues that the idea that greatness in the social sectors can be achieved merely by applying business principles is well-intentioned – but dead wrong. The reason is simple: Most businesses, like most anything else, are mediocre. So why would we want to import practices of mediocrity into the social sectors?

"The question is not about the difference between social and business – but between great and good," he said. "What can we learn from institutions in any arena that have made a leap from mediocrity to excellence?" In examining this question, Collins has found that greatness in both business and the social sectors comes from a culture of discipline. "A culture of discipline is not a principle of business; it is a principle of greatness," he said.

Collins also noted that unlike business, the social sector does not have rational capital markets that channel resources to those who deliver the best practices. "It is much more difficult to connect the relationship between the inputs of the resources and the outputs of impact or effectiveness," he said. "And when it's hard to see that link, it's hard to allocate investments rationally."

One of the biggest lessons derived from his research is that doing or building anything great is a cumulative process, not a one-shot deal. He compares this process to turning a giant and heavy flywheel. "Keep pushing in an intelligent and consistent direction," Collins said. "The executives I talked to could never describe a single point of breakthrough,

but rather related their success to a whole series of cumulative pushes. In the business sector, you just think about your own flywheel. But, as I first learned from Kim Smith of the NewSchools Venture Fund, in the social sectors you have to consider your connection to the *über* flywheel," he said. "And it might even be possible to look at it and say, 'we'll be very successful if the *über* flywheel succeeds and at some point our flywheel can go away.' It strikes me that foundations are very much part of turning a number of *über* flywheels."

To keep those multiple flywheels moving in the right direction you need to have the right people "on the bus." Collins' research shows that when those people are on board you are more likely to take the correct actions when responding to any scenario. "The evidence doesn't support the idea that those who do well are able to predict the future," he said. "Those who do well are prepared for that which they can't possibly predict. So you want the best people with you. The more the world is out of control, the more important it is to have the right people on the bus."

In addition, he found that leaders of great organizations do not spend time motivating their people because the best people are self-motivated. Instead, the focus should be on operating in ways that do not de-motivate.

Great Leaders Differ from Good Ones

Collins' research has also enabled him to identify attributes of a great leader – what he has dubbed a "level 5 executive." These leaders, he said, all have "a humility combined with an absolutely brutal stoic will to do absolutely whatever it takes to make good on a cause that is bigger than them."

Level 5 leaders in the social sector differ from their business counterparts in at least one important way. "These leaders don't have concentrated executive power. They have a diffuse power map," he said. "Executive level 5's in the social sector have to architect the points of power to have enough power to get the decision made so that the flywheel will turn." Given an increasingly complex world that requires greater flexibility, this ability means that "social leaders may have more to teach business leaders in the next round," said Collins.

Level 5 leaders also have the necessary duality to reach their end goal: They combine unwavering faith that they will make it with the ability to face hard facts. But don't confuse faith with optimism, Collins warned. "These are defining times that will make us better and stronger. We cannot afford to be optimistic; we must be able to confront the most brutal, stark facts that are right in front of us."

Separate Values from Practices

Collins also counseled conference participants to hold to their values while separating them from practices. For example, quality education is a value, but tenure is a practice. "Values help us stay constant over time, but we have to keep evolving our practices," he said. The true sign of mediocrity, he warned, is chronic inconsistency. "How the world is changing is a different question than how do we change the world. Those who are consistent are the big levers for change." Such consistency requires clarity, rigor, and discipline. To achieve that goal, Collins listed the following items for consideration:

"We cannot afford to be optimistic; we must be able to confront the most brutal, stark facts that are right in front of us."

- Use the free diagnostic tool on his Web site (jimcollins.com)
- Evaluate the percentage of seats on your "bus" that are filled with the right people. What is your plan for the remaining seats?
- Get young people in your face. Generational tension is good.
- Build a council. A council is separate from the board and even the management team.
- Determine your "questions-to-statements" ratio and try to double it. Ask more questions and make fewer statements.
- Turn off your electronic devices and carve out time to think.
- Create a "stop doing" list – work is infinite, time is finite.
- Give people responsibilities, not jobs, and have them articulate what they are responsible for.
- Answer with rigor: What can you do to not waste the opportunities presented by this time of crisis?

"When you get through today's economic crisis, manage in good times as though this is going to happen again and again," advised Collins. "Great organizations always act as though calamity is just around the corner. You have to be strong in all times in order to be of the most use."

ASSESSING OVERALL FOUNDATION PERFORMANCE

Jim Canales, President and CEO, The James Irvine Foundation
David C. Colby, Vice President, Research and Evaluation, Robert Wood Johnson Foundation
MODERATOR: Crystal Hayling, President & CEO, Blue Shield of California Foundation

Measuring progress against ambitious goals is an ongoing challenge for foundations. The deceptively simple question, "How are we doing?" is often the first one board members ask, but answers can prove elusive.

When assessing overall foundation performance, there are two key questions, said session moderator Crystal Hayling, president and CEO of Blue Shield of California Foundation. "What's the information you need to know when you are on the board? And then how do you know what to do with that information once you've got it? It's not enough to have a scorecard, for example. You have to take that information and think differently," she said.

Joining Hayling were Jim Canales, president and CEO of The James Irvine Foundation, and David Colby, vice president, research and evaluation at the Robert Wood Johnson Foundation, who provided insight into these questions as they shared ways their foundations assess performance and put that information into action.

James Irvine Foundation's Performance Assessment Framework

Characterizing his foundation's performance assessment framework as "a work in progress," Canales said that it was developed after an 18-month planning process in which Foundation leaders had identified three new program areas.

The framework was created for four main reasons, Canales said: 1) to clarify the Foundation's approach to measuring progress; 2) to create shared understanding between the Board and staff regarding performance assessment; 3) to demonstrate accountability and assist Irvine's Board in fulfilling its oversight responsibilities; and 4) to inform future programmatic decisions and strategic choices.

"Our philosophy is that evaluation only serves us well if it is something that we use for performance improvement and the ongoing refinement of our work," he said, adding, "It's not about auditing, but it is certainly about accountability."

The framework was developed over a six month period by an ad-hoc board-staff task force. "I wanted to be sure we had the Board's buy-in into the process," said Canales. The resulting framework was based on some key assumptions: the understanding that the Foundation couldn't measure everything and therefore would be selective about what it would measure; that it would share what it learned with the field; and that it would learn from others. "As we've shared this work," said Canales, "we've benefitted from input from others."

The resulting six-part framework was broken into two main categories – program impact and institutional effectiveness. The program impact portion of the framework examines grantmaking, outcomes and results, learning, and refinement. The Foundation uses a variety of data to report to the Board in each of those areas. Under "outcomes," the

Foundation uses program evaluations to determine whether it is achieving what it set out to achieve. For example, an evaluation of its initiative to increase electoral participation among infrequent voters — particularly those in low-income, ethnic communities — revealed a number of best practices for mobilizing these voters. Face-to-face canvassing by well-prepared canvassers from the local community, for example, was found to be the most effective technique.

The "results, learning, and refinement" section of the report is based on qualitative data and gets at "how lessons from our program work inform and improve our strategies," said Canales. It is reviewed on an ongoing basis and shared with the Board once a year.

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The "institutional effectiveness" portion of Irvine's framework examines how the Foundation is exercising leadership, constituent feedback, and finance and organizational information. "Institutional leadership is not about measuring how many times we are mentioned in the media," said Canales. "This is about understanding how Irvine is helping to frame and deepen understanding of issues that we care about. How are we helping to point to solutions that address these issues?"

The Foundation also reports on constituent feedback garnered from assessment tools such as CEP's Grantee Perception Report® (GPR) and other surveys. This year, the Foundation presented the results of a survey providing feedback on the effectiveness of its Web site as a communications tool. Irvine is responding to that feedback by considering ways to make the site's written content more accessible and less verbose. It is also exploring enhancements to the site's navigation, fonts, and colors to make it easier to use and read.

A yearly report based on the framework is created for the Board. To help them synthesize the information, Canales writes a memo summarizing the findings. "The Annual Performance Report is a useful tool to track progress and stimulate dialogue with the Board," he said. And because Irvine is committed to public dissemination of what it has learned, the report is available to the public on its Web site.

"We want to put out something that is useful to the field and to stimulate conversation about foundation performance assessment, which is an underdeveloped part of philanthropy," Canales said.

He also cautions that the staff time and resources required for the effort are not insignificant — especially given Irvine's commitment to share information publicly.

Canales noted that putting a new strategy in place along with the performance framework was a culture change for the Foundation. It took some time before the staff felt comfortable having a candid dialogue with the Board. "It took a lot of work to get staff to do that," said Canales. "We are trying to create a culture where the Board is an engaged strategic partner that is adding value to the Foundation."

Irvine's annual performance report is available at http://www.irvine.org/evaluation/foundation-wide-assessment.

Robert Wood Johnson Foundation's Balanced Scorecard

Like Irvine, the Robert Wood Johnson Foundation (RWJF) also makes its performance information public. Early trustees who came from the pharmaceutical industry asked, "Are we being effective?" said Colby, explaining that as a result, "having outside evaluations has always been part of our DNA. Honesty about the impact of our own work has helped our brand."

From the beginning, RWJF has shared program evaluations that assess strategies, processes, and outcomes, and help capture the factors that account for program — and Foundation — successes and failures. In addition to sharing these evaluations with its Board, RWJF also shares them with policy-makers, researchers, advocates, RWJF program grantees, and other program stakeholders. Many of the findings from its funded evaluations are available in peer-reviewed journals, and RWJF posts them on its Web site.

More recently, it has also been sharing an enterprise-wide view of its performance in the form of a yearly "Assessment Report," which is available at http://www.rwjf.org/about/assessingscorecard.jsp. Data for the Report is based on the Foundation's Balanced Scorecard – a tool it uses to measure and track performance. Based on data that comes from periodic surveys of grantees, staff, health policy experts, the American public, and other stakeholders, the Balanced Scorecard delves into four key areas:

- Program Development – Is RWJF developing programs in areas that are important?
- Program Impact – Are the programs meeting their goals and having the intended impact?
- Customer Service – How well is the Foundation serving grantees and other "customers" that go to the Foundation for information?
- Human and Financial Capital – What is the health of our human and financial assets?

Such ongoing assessment helps RWJF keep its strategy on track. For example, the Foundation used CEP's GPR for the first time in 2004 and has since repeated it regularly. "The survey results looked pretty good on an absolute scale, but less good on a comparative scale," said Colby. "We didn't do as well on the things we cared about so we embarked on a year-long quality improvement project to change the way we do our grantmaking. This was the first time we used the scorecard to drive major change," he said.

Hayling observed, "When I first came into the field of philanthropy, program officers often acted as instigators of change trying to overthrow the decisions of the Board. But honestly assessing institutional performance requires a really different culture that is open to the data and the conversation and that wants to engage with the Board." She said, "It requires trust. You have to have some level of trust in the Board to have these conversations. And the more that you have these conversations, the more trust you build."

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FINDINGS FROM THE FIELD: THE ESSENTIAL ELEMENTS OF FOUNDATION EFFECTIVENESS

Phil Buchanan, President, Center for Effective Philanthropy
Lisa Jackson, PhD, former Vice President – Research, Center for Effective Philanthropy

At a time when our country and the world face severe financial and environmental threats, funders must find ways to do more with less. Addressing an audience of foundation leaders, CEP President Phil Buchanan said, "Given your unique role, you always have an imperative to operate as effectively as possible in pursuit of impact. Today, that imperative is even greater."

Philanthropy can take on issues the business and government sectors can't or won't, said Buchanan, and all three sectors must "step up their game. To reach its potential, our society needs a high-performing business sector, a high-performing government, and a high-performing nonprofit sector." Stressing the philanthropic sector's unique role, Buchanan urged the audience to push harder for greater effectiveness.

Buchanan and former CEP Vice President – Research Lisa Jackson, PhD, argued that three core elements are essential to foundation effectiveness: clear goals; coherent, well-implemented strategies; and relevant performance indicators. "Put another way," said Jackson "they are the 'What?' 'How?' and 'How will we know?'"

Clear Goals

Jackson revealed new findings from CEP's latest research on foundation strategy, to be published in 2009. She reported that, in a survey of CEOs and program officers, only 48 percent of respondents indicated that the foundation board, CEO, and staff all clearly understand the foundation's goals. "Without a shared understanding of goals, chances for achieving impact are diminished," said Jackson.

Jackson urged funders to make their goals clearer, suggesting that they specify where work will take place, a time frame for achievement, and the issue being addressed. She recommended asking the following questions:

- Are your goals clear and specific enough to help you make choices about which strategy will help you achieve them?
- Are they clear and specific enough so that you can assess whether they are being achieved?

Coherent, Well-implemented Strategies

Jackson reviewed CEP's definition of strategy as a framework for decision-making that is 1) focused on the external context in which a foundation works, and 2) includes a logical causal connection between use of funder resources and goal achievement. She described the key characteristics of those who are more strategic, previewing findings from CEP's forthcoming report on strategy.

Jackson said that 98 percent of CEOs and program officers surveyed believe that they will achieve all or some of their goals, yet only 37 percent indicate that there is complete agreement among the board, CEO, and staff that their foundation's strategies are the most appropriate to achieve their goals. In addition, said Jackson, a significant proportion of the foundation CEOs and program officers CEP has studied don't approach their daily activities in ways that are consistent with being strategic. "When it comes to implementing their strategies," she said, "too frequently, foundations work in ways that won't lead to the achievement of their goals. The 'how' doesn't match the 'what.'"

Relevant Performance Indicators

While CEP has seen an increase since 2002 in the number of foundations using robust performance indicators to assess effectiveness, many continue to struggle. "It is sobering to know that while 78 percent of foundation staff who responded to our recent survey on foundation strategy believe that their foundation is effective in creating impact, just 26 percent have performance indicators for all of their strategies," said Jackson. "In addition, our surveys of trustees show that the area of greatest dissatisfaction among board members is the information they receive to assess progress against strategy."

Still, she said, "We see that more and more foundations are acting on what they learn through their assessment efforts to improve and become more effective. In our work providing assessment tools to nearly 200 foundations, we have seen dramatic – stunning – examples of improvement. It can be done!"

Buchanan cited the Stuart Foundation's Child Welfare Program as an exemplar. (For an overview of Stuart's approach, see page 10.)He noted that, as simple as it may sound, exemplifying the essential elements of foundation effectiveness is anything but easy. "This work requires both dispassionate analysis and passionate commitment. It requires both an impatience with the status quo and the patience to really pursue – and implement – a strategy. It requires both sober, data-driven realism and an optimism that the toughest problems can be solved. A belief in the capacity of human beings to do amazing things to improve our collective condition. And a belief that we are absolutely obliged to try."

"This work requires both dispassionate analysis and passionate commitment. It requires both an impatience with the status quo and the patience to really pursue – and implement – a strategy. It requires both sober, data-driven realism and an optimism that the toughest problems can be solved. A belief in the capacity of human beings to do amazing things to improve our collective condition. And a belief that we are absolutely obliged to try."

FOCUSING ON FOSTER YOUTH

An Example from the Stuart Foundation's Child Welfare Program

- Goal: Improved life outcomes for youth aging out of the foster care system.
- Strategies: Invest in programs that support lifelong connections and create educational opportunities.
- Performance Indicators: Number of youth participating in Stuart-funded programs who develop lifelong connections with a caring adult; college graduation rates.

The Stuart Foundation's Child Welfare Program provides a compelling example of what can be accomplished by a foundation that has clear goals, a coherent, well-implemented strategy, and relevant performance indicators. According to Stuart President Christy Pichel, "We've seen in our Child Welfare Program that having a really clear strategy, using clear data that allows us to adjust our strategy as we go along, and staying focused on that strategy has helped us be successful in that work." She added that staying focused means admitting that they can't address every issue. "We need that screen to filter out the things we can't do."

With about $300 million in assets, Stuart has been a leader in the effort to help foster youth achieve better life outcomes. One of the Foundation's focuses in child welfare is the challenge faced by young adults nearing age 18 who are about to age out of, or "emancipate," from the foster care system. No longer eligible for services, these youth may end up on the street with no job, home, or trusted adult they can turn to.

One element of Stuart's Child Welfare Program's strategy is to nurture permanency and lifelong connections for these youth. The Foundation supports programs that help foster youth connect with family members and other caring adults.

While many child welfare experts didn't think placing older foster youth in permanent adoptive homes was possible, Stuart researched the issue and in 2000 sponsored a gathering of representatives from state government, county agencies, and nonprofits that support children in foster care. "Our consultants shared findings about places where people were having success in finding families for older children," said Pichel. "That meeting helped change people's frame of mind about what could be done."

On the basis of that information, the Foundation made a multiyear, multimillion-dollar operating support grant to establish the California Permanency for Youth Project. Launched in four counties, the program expanded because evidence demonstrated that facilitating such lifelong connections for foster youth is possible. An evaluation shows that 76 percent of participating youth develop a lifelong connection to a caring adult as a result of the program.

A second important element of the Child Welfare Program's strategy is to create strong and vibrant educational opportunities for foster youth – a goal particularly crucial for those about to emancipate. To that end, the Foundation has helped establish programs that support college access and retention for this population. For example, it made a grant in 1999 to the first California College Pathways program and since then has helped it expand to 31 California campuses. The program provides former foster youth with year-round housing, financial aid, extra advising, and assistance with transitions to employment. At California State, Fullerton, where the program has been in place the longest, the graduation rate for these students is 39 percent compared to less than 5 percent for foster youth nationally.

The Stuart Foundation tracks progress against its goals by measuring the outcomes achieved by the programs it funds, and by checking in with its constituents. According to Pichel, "We use the Grantee Perception Report® and periodically do other evaluations so we can see changes happening in the counties when they've implemented some of the programs we've funded."

"The Stuart Foundation constantly mines the data on outcomes for foster youth and on the perspectives of their stakeholders and grantees," said CEP President Phil Buchanan. "They do this in order to revisit the logic and learn and improve. They seek to align their grantmaking and policy work, recognizing the complexity of the systems and processes they are trying to influence. The Stuart Foundation's Child Welfare Program exemplifies the elements of foundation effectiveness."

For more information on the Stuart Foundation's Child Welfare Program, look for CEP's case study due out in fall 2009.

"We've seen in our child welfare program that having a really clear strategy, using clear data that allows us to adjust our strategy as we go along, and staying focused on that strategy has helped us be successful."

FOUNDATIONS AND INFORMATION: WHEN TO SHARE WHAT YOU KNOW

William F. McCalpin, Director of F.B. Heron Foundation, and former Executive Vice President and COO, Rockefeller Brothers Fund
Mark Sedway, Project Director, Philanthropy Awareness Initiative
Sean Stannard-Stockton, Principal and Director of Tactical Philanthropy, Ensemble Capital Management. Author of tacticalphilanthropy.com
MODERATOR: Teresa R. Behrens, Editor-in-Chief, *The Foundation Review*

What information should foundations share, how should they share it, and with whom? "This is a particularly interesting time for us to be addressing these questions," said session moderator Teresa Behrens, editor-in-chief of *The Foundation Review*. "There is a lot of conversation these days about the role of foundations: what they are accomplishing, their financial management, Bernie Madoff's impact on foundations and nonprofits, a new form 990 for nonprofits being implemented this year, and last year's legislative initiative calling for California foundations to provide greater transparency around their diversity."

As they delved into the pros and cons of information sharing, panelists William F. McCalpin, director at the F.B. Heron Foundation, Sean Stannard-Stockton author of the blog tacticalphilanthropy.com, and Mark Sedway, project director of the Philanthropy Awareness Initiative provided some data and recommendations for participants to consider.

The Information Gap

According to Sedway, 60 percent of "engaged Americans" – those who have been involved with a social purpose organization in the past year, including government, business, nonprofit, and news media decision-makers – don't feel informed about foundations. "These are critical populations, both as potential partners and political supporters," he said. "They provide the financial, intellectual, social, human, and political capital that philanthropy needs for long-term impact."

Of these engaged Americans, who make up approximately 12 percent of the adult population,

- Nine out of ten think foundations should be more open about their activities, mistakes made, and lessons learned;
- Only 15 percent can cite an example of a foundation's impact on their community;
- Only 11 percent can give an example of a foundation's impact on an issue they care about ;
- And 87 percent think it's important for foundations to be financially transparent, whereas only 32 percent think they perform well in this area.

Furthermore, Sedway noted, research on media coverage of foundations revealed that out of the 40,000 stories studied, 98.6 percent were transactional in nature, focusing on process and money. Only 1.4 percent described the benefits and potential impact of foundation activity. "It's an issue of what kind of information we're providing – right now it's an incomplete picture. It's no wonder that engaged Americans who read media coverage often see foundations as more of a cash machine than change agent," he said.

The Benefits of Sharing Information

All three panelists agreed that while sharing information does carry some risk, it is something foundations must learn to do. In fact, suggested McCalpin, sharing information is a strategic decision. "Sharing information at foundations can be viewed as part of an offensive strategy and a defensive strategy," he said. "I like to play more offense then defense."

He also asserted that funders should be prepared to respond to demands for greater accountability. "We have a very activist public sector. Advocacy organizations are energized, and we have waves of populism rolling through society," said McCalpin. "The risk is that when that democratic accountability is trained on foundations, they won't be prepared for it."

Sharing information about what works and what does not is particularly important in today's economy. Noting that impact is a combination of financial capital and superior knowledge, Stannard-Stockton said, "What's unique about philanthropy is that if you supply superior knowledge and somebody else applies financial capital against that knowledge to create impact, that impact accrues to everybody. Our knowledge as a sector has become relatively more important. Government and individuals want to do more and want to know what they should do. I would hope that as a sector we share answers about what we should do."

Stannard-Stockton also noted that if foundations make information available, third parties, such as Google, will aggregate that information for widespread use. Furthermore, he said, "Information sharing is a back and forth process. Most foundations are designed to push information out. You should also have a way to receive information." As an example, Stannard-Stockton cited the Packard Foundation's Wiki, which helped it gather information from scientists when it was designing a program to address nitrogen pollution. "Think about your communications department as your impact strategy, not to just broadcast what you know but also as a way to accumulate knowledge," he said.

Foundations are often reluctant to share information because it may reflect poorly on a particular grantee. "There should be a way to share the core of what you learned without focusing on the particular activities of a specific grantee," said McCalpin. "Giving a foundation board the information it needs to play the appropriate governance role is the right thing to do, and it leads to more trust."

Stannard-Stockton asserted that the key to reconciling concern about grantees with sharing information is to remember that "your allegiance as a funder is to long-term impact, not to individual grantees. That's the lens through which to think about information sharing. If you had a grantee with bad programs and bad management that wasn't salvageable, you have an obligation to share that information in service of greater impact." That said, he also stressed the need to allow grantees to make some mistakes. "As grantees achieve a degree of size and sustainability, however, you should be willing to have honest conversations about things that have gone wrong."

Accountability and Transparency: Information Foundations Should Make Public

After carefully reviewing the Web sites of the country's 50 largest foundations, McCalpin found that many did not include information that he suggests would present them as accountable institutions:

- Audited financial statements (opinion letter, statements, and notes)
- 990-PF
- A statement of achievements in each of the main areas of grantmaking

Furthermore, his search revealed that relatively few of the top 50 foundations post the following documents, which he believes would enhance their transparency.

- Founding documents of the organization
- Bylaws and charters of major board committees
- Conflict of interest policies
- Whistleblower procedures
- A description of the process for determining compensation for most highly compensated individuals in the organization
- Searchable databases of past grants
- Evaluation information
- A statement about the relationship between foundation investment activity and pursuit of the organization's mission

"Foundations sit on an enormous amount of tax-privileged wealth, and there will be questions about how they use those privileges," said Sedway. "So while foundations are and should be free to decide the level of information that they provide, we may not have that choice if we don't provide enough to satisfy accountability questions."

EXPLORING INDIVIDUAL PERFORMANCE AND FOUNDATION EFFECTIVENESS

Alexa Cortes Culwell, CEO, Stupski Foundation
Saul Macias, Director of Human Resources, Stupski Foundation
MODERATOR: Phil Buchanan, President, Center for Effective Philanthropy

A foundation's effectiveness depends on the performance of those who carry out its mission. Assessing individual staff performance is therefore a key part of foundation management.

Individual performance assessment should begin with the foundation's CEO, said Alexa Cortes Culwell, CEO of the Stupski Foundation and a member of CEP's Board. "The drive for accountability must be anchored in the CEO-board relationship – specifically with the board chair," said Culwell, who noted that her contract with Stupski specifies that she receive a rigorous performance review based on mutually agreed-upon qualitative and quantitative data.

That spirit of rigor should be infused throughout the organization. "Every process you have has a way to shape behavior," said Saul Macias, Stupski's director of human resources. "If you want people to be dependent on each other and work together as a team, then your performance measurement process had better acknowledge and reward that type of behavior."

Both Culwell and Macias stressed that individual performance assessment should be an ongoing, regular part of the conversation with those one manages, rather than an annual discussion. "So that by the time you get to a formal process it is a non-event – more of a summary of what's happened because you'll have had a year of feedback," said Macias. "It becomes more constructive, and it takes the edge off of that dreaded one-on-one annual review."

Culwell also stressed that the review should give plenty of weight to the individual's strengths so that they will feel more open when it's time to discuss weaknesses. "Many of us are not good at recognizing strengths and accomplishments," she said. "We should have a laundry list of what the person has done right. For every ten great things, we then have the safety zone to say what needs to improve. If you don't have that, it's not going to be the conversation you want to have."

CEP President Phil Buchanan, who moderated, summed up the session by listing some of the elements required for successful performance assessment.

- Individual performance assessment should be modeled from the top. The CEO assessment process must be rigorous; involve external data, including staff views; and be transparent so that staff know the CEO is being held accountable by the board.
- There must be a clear link between an individual's goals and those of the organization.
- Feedback must come from others besides the individual's supervisor. Objective external feedback from others with whom the person interacts will provide a fuller, more accurate picture of performance.
- Managers should provide individual performance feedback on an ongoing basis.
- Everyone in the organization must understand that they are working in a culture of performance assessment. Leadership must provide resources to senior staff enabling them to educate the full staff about the value of performance assessment.
- Individual performance assessment must focus on an individual's strengths as well as their weaknesses.

Finally, Buchanan noted that the connection between performance and compensation must be made clear. "How this relates to compensation will be the first question people ask," he said.

“If you want people to be dependent on each other and work together as a team, then your performance measurement process had better acknowledge and reward that type of behavior.”

THE IMPACT OF SOCIAL MEDIA

Jim Berk, Chief Executive Officer, Participant Media

Storytelling is a powerful way to educate people and stimulate action, argued Jim Berk, chief executive officer of Participant Media. A single movie has the potential to send a social message to millions around the world. Sharing clips from films that included *An Inconvenient Truth*, *The Kite Runner*, *The Visitor*, and *The Soloist*, Berk suggested that social media can help to change the world.

"You're the catalysts of change, and you work to maximize the highest social return on capital employed," Berk told the foundation leaders attending CEP's conference over dinner. "You're the strategists. You fund the capital supply lines to get resources into the hands of the change makers. It's why aligning and connecting, as you've said during this event, is so important, whether you're a foundation, a social entrepreneur, an NGO, or a company like Participant."

Participant expanded the success of its movie about global warming, *An Inconvenient Truth*, by creating a coalition of nonprofits, NGOs, and corporate and media partners to drive social action. As a result, said Berk, its effects were felt well beyond the movie theatre. "In addition to the millions who saw the movie, 180,000 teachers' curricula on climate change created by the coalition were downloaded. Five countries – England, Scotland, the Czech Republic, New Zealand, and Germany – and the Canadian province of British Columbia have incorporated *An Inconvenient Truth* into their secondary school curriculum."

"Five climate-change bills were introduced into the U.S. Congress," continued Berk. "More than 106,000 tons of carbons – the equivalent of 225 million car miles – were offset directly from the film's Web site. And more than 2,600 individuals were trained through a 'train the trainer' program to give the speech Al Gore gave during the film to live audiences, reaching another four million worldwide."

That success led Participant Media to continue its approach with other films, such as the mainstream studio movie *The Kite Runner* – a film about friendship set in Afghanistan. "But even though *The Kite Runner* was based on a best-selling novel, virtually everyone who read this book lived outside of Afghanistan," said Berk. "That's because the literacy rate in Afghanistan is the third lowest in the world."

In addition to co-financing the movie, Participant partnered with Afghanistan relief organizations to build 87 rural libraries and train 1,000 teachers. "*The Kite Runner* earned $72 million at the box office worldwide," he said. "So, it demonstrates that a mainstream film can create change and have a positive financial result at the same time."

By creating emotional connections with an audience, films humanize tough issues and make them more approachable, Berk argued. "When this happens, a portion of the audience leaves ready to do something because they want to become involved immediately," said Berk. "Others just leave the theater thinking a little differently about the issue. This type of activation is slower, but it can produce a very meaningful impact because it ultimately alters the view on an issue, which then correlates with changes in public policy over time." And sometimes, he said, the movie simply makes an individual aware of an issue they had never thought about before. "Awareness is the first and largest barrier to change, and storytelling is a great way to break through that barrier."

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BUSINESS THINKING AND PHILANTHROPY

Over the past decade, the influence of business thinking on philanthropy – what some refer to as "philanthrocapitalism" – has been on the rise. Whether business practices are right for philanthropy has been the topic of much debate, especially in light of the recent economic downturn and the meltdown of major financial institutions. A panel of experts and practitioners shared their views.

"We wanted to articulate the role that philanthropy uniquely, and a business-like approach to philanthropy, could bring to the partnership between the different actors in social change – the state, nonprofits, foundations, companies, wealthy individuals."

"We thought that philanthrocapitalism captured that sense of how business, capitalism, and philanthropy can all come together to produce dramatic social change, both in creating wealth and in using wealth to drive innovation in areas where you can't make money, but you can make a huge difference."

Matthew Bishop, Chief Business Writer and US Business Editor, *The Economist*, and co-author of *Philanthrocapitalism: How the Rich Can Save the World*

"Why would we trust the rich to save the world when they have already destroyed large parts of the economy that sustains us? Why should we sign a new social contract, as Matthew enjoins us to do, that enshrines massive inequalities of wealth and power? Why should we believe that business and the market have answers to our social problems in the future, when they themselves have created so many of those problems in the past and in the present?"

Michael Edwards, Distinguished Senior Fellow, Dēmos, and author of *Just Another Emperor? The Myths and Realities of Philanthrocapitalism*

"While all have contributed to social progress, the truth is neither the market, nor the social sector, nor civil society, nor government is immune to the pressure of big money, human foibles, bankrupt values, or dysfunction. I think we can see it in each of those sectors. The financial crisis, scandals in philanthropy and nonprofits, the implosion of various social movements and governments, all amply demonstrate that. So I'd say the critical question is not, 'Is philanthrocapitalism good or bad,' but how to harness all these sectors to contribute to improvement of social conditions for everyone, not just the few. And frankly, in those instances where institutions choose to position themselves in the crossroads between public good and private benefit, to balance specific private interests with broader social goals is quite complicated, and that is really the challenge that's at hand."

Carla Javits, President, REDF

"There is much to be learned from the corporate world, in management terms. ... And there's a lot more innovation in the management structures of many corporations than there is in most of the nonprofits with which we deal. So I would be the last person to say we can't learn anything from business."

"But I do think it also goes the other way, and the recent election shows us that you can run a very effective organization taking your lessons from social movements and bottom-up power, at the same time as you can learn things from social innovation and from the new technologies. It's all a hybrid. So the polarization of this as kind of state versus capital seems to me to be a little overstated."

Gara La Marche, President and CEO, The Atlantic Philanthropies

ALIGNING FOR IMPACT IN TOUGH TIMES

Stephen B. Heintz, President, Rockefeller Brothers Fund
Dan Katzir, Managing Director, The Eli and Edythe Broad Foundation
Carol S. Larson, President and CEO, David and Lucile Packard Foundation
Kathryn E. Merchant, President/CEO, The Greater Cincinnati Foundation
MODERATOR: Phil Buchanan, President, Center for Effective Philanthropy

In a time of reduced resources, foundation leaders find themselves revising their carefully laid plans to adapt to current fiscal realities. Posing questions submitted by conference participants, CEP President and session moderator Phil Buchanan asked a group of foundation leaders, "How do we adapt to the environment that we find ourselves in?" In describing the ways their foundations are coping, these leaders gave answers focused on making the most of an opportunity to step up in a time of need — rather than on cutting back.

Doing More to Match Increased Need

Community foundations often play an important role in easing the impact of hard times on local nonprofits. The Greater Cincinnati Foundation reached out to donors in October 2008 when the economic crisis began to hit, raising an additional $250,000 to help meet emergency needs, and subsequently made a million-dollar commitment to create a "Weathering the Economic Storm" fund that was matched by other foundations. "Our board has basically said, 'Just go for it. Understand the need, get it articulated, get our money on the table, get other people to the table quickly, and do what you can to make a difference,'" said Kathryn E. Merchant, president/CEO of the Foundation and a member of CEP's Board.

To respond to the spike in need, the Foundation has made a series of rapid adjustments. "We've collapsed our grantmaking schedule," said Merchant. "We move forward with the blessing of our board chair, and then ratify our actions at the next regular board meeting because we have to act quickly. We've stopped making capital grants for the foreseeable future. Business as usual will not work for us."

For the David & Lucile Packard Foundation and Rockefeller Brothers Fund (RBF), the economic downturn has led to decisions to exceed the five-percent payout. Both Packard President Carol Larson and RBF President Stephen Heintz predict their foundations will pay out more than seven percent this year.

According to Larson, while paying out at that rate will eat into Packard's endowment, that concern is outweighed by the Foundation's focus on making a difference. "It really is trading where you feel the urgency of issues is now and the impact you can have versus a longer-term view and preserving that endowment," she said. "So for right now, we're letting our payout rate rise. We're trying to be as smart as we can about staying consistent with our goals and strategies, taking into account these new opportunities. We are about impact and effectiveness, not a certain payout percentage, so we'll continue to balance these two things."

> *"You've got to know how well you're doing so that you're not wasting the resources you've got and that you can focus them on the most effective strategies with the highest potential for really deep significant impact."*

Both Larson and Heintz want to seize the opportunities for change presented by the new administration. "This election was all about the promise of change on things we have been working on for a long time," said Heintz, who chairs CEP's Board. "We need to think of this as a huge opportunity to help deliver on that promise. We have to do that by investing and by being countercyclical. It is painful and anxiety producing. We probably will pay out something around seven to seven and a half percent this year, and I suspect it will get even tougher in 2010. But for those of us who are engaged in these national and international issues where the moment is now, we have a moral responsibility to step up to this moment and do the best we can."

Making up for Reduced Monetary Resources with Other Kinds of Assistance

The market downturn forced The Broad Foundation to step back from a new strategic framework to ensure it could meet current commitments to multiyear grants. "What that meant, because we had a much higher disbursement schedule, was that the amount of new commitments would be significantly less," said Dan Katzir, Broad's managing director.

With fewer new grant commitments, the Foundation has increased its nonmonetary assistance and devoted more resources to areas it previously had less time for. "We're doing a lot of knowledge capture and dissemination work, which we never had the time to do before because we were always chasing the next investment area or the next grant," said Katzir. "We're doing tool building, which is a new field for us in terms of being able to help our grantees implement significant best practices that we've learned from our years of investing. And we've begun to loan out some of our people to other organizations, including the U.S. Department of Education, to help them do some of the stimulus work."

Even with increased payout, the Packard Foundation has reduced its new awards budget for 2009 by 25 percent. Therefore, it will be seeking to do more with less. For example, the Foundation will increase collaboration with other funders so that it can further the progress it has made on its long-term strategies. "Whether it's on health insurance or western conservation, or climate change, even with some of the positive changes that we've seen, these issues aren't going to be addressed effectively unless there's a new level of collaboration on strategy and implementation," said Larson. "So in some of our areas we'll actually be paying out less in grant award dollars, but some of that difference will be made up because we're doing it joined at the hip in strategy with so many others."

Larson also emphasized the importance of Packard's use of Program Related Investments (PRIs) – which the Foundation does not count as payout. "We actually upped our budget and authorized an additional $20 million in PRIs because it can be such an incredible tool for nonprofits to survive in this time of difficult cash flow," she said.

Connecting Foundation Work to the Stimulus Package

The panel also discussed ways that philanthropy could influence the disbursement of federal economic stimulus monies. "This is an amazing moment in history, and it's time to seize it in different ways than we have done in the past," said Katzir. "Our big fear for all the money going into education is that it will go into the same things that have gotten us the results in K-12 public education that we've had, particularly in low-income and minority communities." For that reason, Broad, in partnership with the Bill & Melinda Gates Foundation, has convened a group of thought leaders to write a series of briefing papers for states, districts, and schools about ways "to use the stimulus money in more innovative, progressive, and reform-oriented ways," he said.

"There's a huge opportunity for philanthropy to be helpful in thinking about the efficiency of how the stimulus money actually hits the ground," said Heintz. "A lot of philanthropy has shied away from engaging with government, seeing a separation of these sectors, and also not wanting to get close to what they might feel uncomfortable with in terms of politics. But this is a time when we have to work much more closely with government so that the net result of this is a more optimistic future."

"We can really miss this opportunity by all going in a fragmented way," said Larson. "One of our first duties is to be in touch with each other about what we're saying and where we're going." As an example of how that might work, Larson pointed to California Forward (http://www.caforward.org/), in which Packard and several other major California funders (The California Endowment, The Evelyn and Walter Haas, Jr. Fund, The William and Flora Hewlett Foundation, and The James Irvine Foundation) funded a multiyear effort to contribute to improving the quality of life for all Californians by creating more responsive, representative, and cost-effective government.

Investing in Evaluation

Participants had questions about investing in performance assessment during lean financial times. "In a time like this, does the investment in metrics change?" asked Buchanan. According to the panelists, investing in assessment is particularly important when resources are diminished.

In fact, Broad has doubled its research and evaluation budget, continuing its investments in measuring grant effectiveness and focusing on the correlation between its investments in school districts and charters and the final outcome of student achievement. "We're right on the cusp of testing a new methodology to do that," Katzir said. "And we continue to put money behind that because it would take our knowledge level up another rung in that area."

In addition, Broad had recently purchased an online performance-evaluation system that would connect its strategic goals with grant area, individual grant goals, and with its staff member program officer evaluation project. "We now have some time to put that system in place in a smart way instead of a rushed way," Katzir said. "For the long term, that is going to make us a much stronger organization, both internally for how we operate and externally for how we're using grant and performance data."

"We're letting our payout rate rise. We're trying to be as smart as we can about staying consistent with our goals and strategies, taking into account these new opportunities. We're about impact and effectiveness, not a certain payout percentage."

According to Heintz, investing in performance assessment benefits both individual funders and the field as a whole. "You've got to know how well you're doing so that you're not wasting the resources you've got and that you focus them on the most effective strategies with the highest potential for really deep, significant impact," he said.

"It's hard because you're thinking 'every dollar I put in the administrative bucket is a dollar I could be sending out the door in a grant.' But on the other hand, it's going to make your grantmaking better, and it's going to have a higher impact in the communities you're serving. And if you then go to the next level and share the results of that broadly with those who are working in the same field, whatever knowledge you're generating – positive lessons, lessons from failure, examples, models, data – can help leverage the field. So it can be another contribution to producing change at a time when we really need it."

FROM DATA TO INSIGHT: USING CEP'S ASSESSMENT TOOLS TO CREATE CHANGE

Judy Jolley Mohraz, PhD, President and CEO, Virginia G. Piper Charitable Trust
Carleen K. Rhodes, President, The Saint Paul Foundation
MODERATOR: Kevin Bolduc, Vice President – Assessment Tools, Center for Effective Philanthropy

The road to social impact is rarely direct or swift. Given the many twists, turns, detours, and dead ends most funders navigate when working to make a difference, calculating the return on dollars spent on social impact is nearly impossible.

"Therefore, we need other kinds of information," said CEP Vice President Kevin Bolduc. "We believe that optimizing governance, setting an agenda, having a strategy, managing operations, and assessing performance are required for achieving social return." This session featured two leaders who used CEP's assessment tools to measure their foundations' performance in some of these areas – which CEP has dubbed "indicators of effectiveness" – and then made changes based on their results.

CEP's assessment tools provide funders with comparative data that shows where they stand in relation to others like them.

"We believe that optimizing governance, setting an agenda, having a strategy, managing operations, and assessing performance are required for achieving social return."

Virginia G. Piper Charitable Trust: Striving to Increase its Impact on the Field

As the president and CEO of Virginia G. Piper Trust, a private foundation based in Phoenix, Arizona, Judy Jolley Mohraz, PhD, may have been starting with a blank slate when she opened the Trust's doors in 2000, but she had some definite goals in mind. "We said from the very beginning that we were going to make this place-based foundation user friendly and that we would be here to serve this community," she said. Not only was Piper a new foundation, but it had few peers in Phoenix, a city that is also relatively young. "We didn't have a lot of comparative data," she said. "There weren't a lot of people in Arizona to compare notes with."

Using CEP's Grantee Perception Report® (GPR) and Applicant Perception Report (APR), Piper first surveyed its grantees and declined applicants in 2004. Piper's ratings for its impact on grantees' fields were below the 25th percentile and at the median for declined applicants. "We knew this was an area we could improve," said Mohraz.

The Trust's ratings on grantee satisfaction, interactions, and impact on grantees' local communities were more encouraging. These ratings were at or above the 75th percentile. Yet Mohraz wasn't about to let the Trust rest on its laurels. "You have to be sure when you get a result like this the first time that you don't allow yourself to sit back and say, 'We're above the median and we're doing fine, and there's not more that we can do to be effective in the community,'" she said.

In fact, when the Trust repeated the GPR and APR in 2008, it was rated even more highly for grantee satisfaction and on its impact on grantees' local communities. "We were really happy to see this result in 2008 because the same amount of dollars was going into the community," Mohraz said. "A lot of it was due to some shifts that we made as a more mature foundation in how we did our grantmaking.

We were more strategic, more multiyear, and more initiative driven."

The Trust also improved its ratings for impact on grantees' and declined applicants' fields in 2008, with grantees rating it above the 75th percentile and declined applicants near the top of the range. Between 2004 and 2008, Piper formed more relationships with private and government entities as a way to strengthen its impact on the field. For example, it partnered with the state and another foundation to establish a new research institute. "The Trust made a $35 million commitment to support the development of personalized medicine," said Mohraz. "It takes a while to develop the threshold for that kind of risk and investment. As a young foundation trying to make its way in a new terrain, the GPR was really helpful."

Also helpful, said Mohraz, was the Trust's participation in CEP's pilot of its Comparative Board Report (CBR) in 2005. The report showed that the Board had a good understanding of the Trust's strategy, but that Board members' comfort in opposing each other was significantly lower than that of the typical board.

"They worked very well together, but were reluctant to challenge each other," said Mohraz. Once that weakness was exposed, trustees changed their behavior. "There's a lot more vigorous discussion as a result," she said. "This was a breakthrough point in creating the kind of constructive deliberation we all are looking for."

The Saint Paul Foundation: Internal Changes Help Fuel External Results

Like Piper Trust, The Saint Paul Foundation, a community foundation in Minnesota, has also used the GPR twice — in 2005 and 2008. Carleen Rhodes, who became president of the Foundation in late 2003, noted that this type of assessment was new to the Foundation, but that the resulting feedback was welcome.

"While the GPR gave us lots of positive affirmation," said Rhodes, "we're a place that always strives to do better. We focused our attention on scores that were somewhat lower, knowing that we wanted improved scores in our next survey."

The results of the 2005 GPR revealed several areas for targeted focus. "We then sat down as a grants team and chose three specific areas for focus and developed specific strategies to address each," said Rhodes. One such area was the Foundation's understanding of grantees' fields of interest. Grantees had rated Saint Paul below the 25th percentile on this dimension. In response, the program officers transitioned from a generalist approach to a more targeted focus.

"We assigned people to specific topic areas and helped them become more educated about those issues," Rhodes said. Saint Paul's 2008 GPR showed progress on this dimension, with grantees rating the Foundation's understanding of their fields above the 50th percentile.

Two other areas the Foundation focused on were the clarity of its communications of its goals and strategy and the consistency of information provided by its communications resources — two dimensions that were rated below the median. "Before 2005, we thought that staff would read the Foundation's guidelines themselves and interpret them in a similar way," said Rhodes. "Clearly, that wasn't the case." In response, the Foundation gave program staff message points to use when talking with grantees and others.

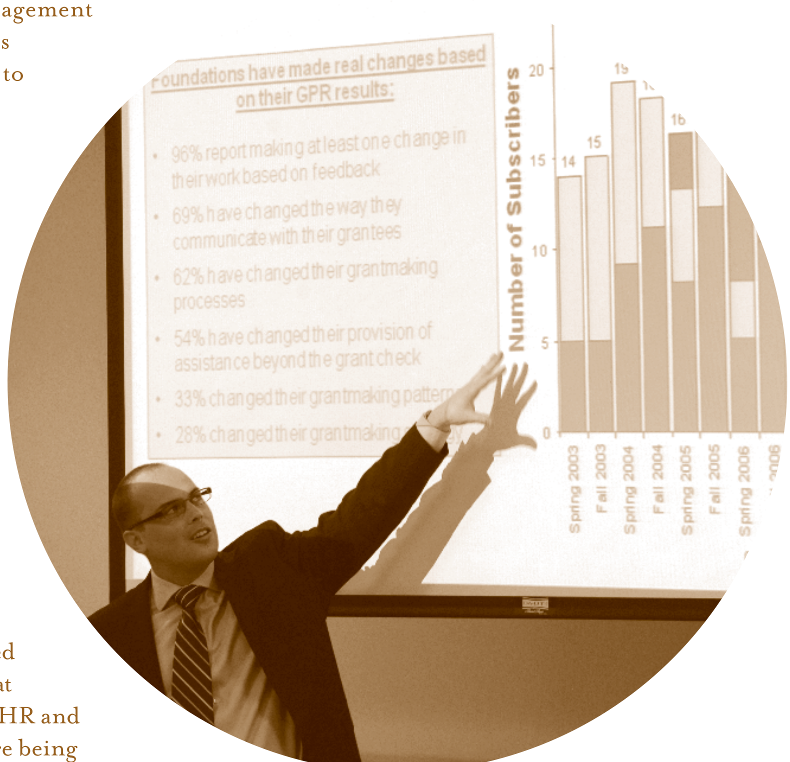
The effort seems to have worked. Saint Paul's 2008 GPR ratings for clarity of communications of its goals and strategies were above the 50th percentile, and its ratings for consistency of its communications resources rose to the 75th percentile.

Saint Paul's 2008 GPR provided data segmented by program officer. "So it also becomes a tool for managing individual people," said Rhodes. "If someone is viewed as being more abrupt, or not as informative, or inconsistent in how he or she explains guidelines, we could then have a discussion with that person about those perceptions."

Rhodes also commissioned the Staff Perception Report (SPR) in 2006, giving staff their first opportunity to provide candid feedback. Again, Foundation leaders chose a few areas where they wanted to invest effort to improve. Among them was the staff's desire for more information about decisions or changes that affected them.

"This had been a culture where a lot of things had been closed," said Rhodes. "I had tried to change that during the two years I had been there by having more open meetings and sharing things, but there was still a perception that mysterious things happened in management meetings. Actually, it was progress that they dared to admit that they wanted more information." In response, managers have become more transparent about what is discussed in senior management meetings. After each meeting they now publish a summary of what was discussed.

The SPR also revealed a perception among staff that policies were not being applied consistently. In response, the Foundation established a staff committee to look at the policies and talk with HR and others about how they were being executed. "It was a matter of taking time to help them understand what the policies were and how they were being applied," said Rhodes.



In 2007, St. Paul did an abbreviated SPR to assess how well leadership was responding to staff concerns. "We picked seven or eight questions that touched on the areas about which we were most concerned," said Rhodes. While ratings still fell below those of the median foundation, the report showed Saint Paul moving closer to the median on those dimensions.

Both Rhodes and Mohraz emphasized that CEP's assessment tools enabled their foundations to target specific areas, addressing key weaknesses and preserving and building on areas of strength.

"While there is no definitive measure that funders can use to prove their impact, CEP's assessment tools are powerful indicators of progress along the way," said Bolduc.

PRE-CONFERENCE SEMINAR FOR ASSESSMENT TOOL SUBSCRIBERS

A community of foundation leaders committed to performance assessment gathered on March 30 for a discussion of CEP's case study on The Wallace Foundation. Wallace repeated the Grantee Perception Report® (GPR) four times within a five-year period – ultimately making dramatic improvements in areas that had been tough to influence. Edward Pauly, director of research and evaluation at The Wallace Foundation, told Wallace's story. The group of CEP assessment tool users also shared best practices as they exchanged experiences during small group discussions.

CEP'S ASSESSMENT TOOLS

Nearly 200 funders, including private, corporate, and community foundations as well as regrantors and United Ways, have adopted CEP's assessment tools. Each of these grantmaking organizations has received comparative data and insights – grounded in research about funder performance – enabling them to make changes to create more impact.

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Romero Hayman – 617-492-0800 ext. 211
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PROMISES AND PITFALLS OF GOING TO SCALE

Father Gregory Boyle, Founder, Homeboy Industries
Robert Hill, Chair – Board of Directors, Nurse–Family Partnership
Woodrow ("Woody") McCutchen, Portfolio Manager, Edna McConnell Clark Foundation
Robert K. Ross, M.D., President and CEO, The California Endowment
MODERATOR: Nadya K. Shmavonian, Independent Consultant to Foundations and Nonprofits

When a nonprofit is doing its work effectively, there is a natural desire to spread that success around. In recent years, a growing number of philanthropic funders have made scaling and replication of successful nonprofits part of their strategy. Both the Nurse–Family Partnership and Homeboy Industries are successful nonprofits that have grown in size. Yet one of these organizations has been replicated widely in new geographies, while the other made the deliberate choice to continue offering its services only in its home community.

Nurse–Family Partnership: Replicating What Works

The Nurse–Family Partnership (NFP) was created through rigorous scientific study. Based on more than two decades of research, NFP "embodies a lot of what we know about classic research and demonstration efforts and the potential to scale up and replicate a proven model," said CEP Board member Nadya K. Shmavonian, a former executive at the Rockefeller Foundation and independent consultant who moderated the session.

The program targets at-risk, first-time mothers and their families and is based on the thesis that long-term outcomes for these mothers and their babies would be improved through proper intervention. Women enrolled in the program receive visits from a nurse beginning in their second trimester of pregnancy that continue through the child's second birthday. The model, developed by researcher David Olds, was tested in different environments and populations.

After five years, mothers and babies in the program experienced more positive outcomes than those in the control groups. "[These were] significant changes in terms of life outcomes across a wide array for both the child and the mother," said Robert Hill, chair of NFP's Board of Directors. The changes included dramatic reductions in areas such as child abuse and neglect, welfare usage, and the amount of time mothers spent in jail.

Once Olds was satisfied the program could be replicated, he turned that task over to others – Hill among them – and the Nurse–Family Partnership was born. "We're now serving about 16,000, low-income, at-risk, first-time mothers in about 28 states," said Hill.

After 20 years, said Woodrow ("Woody") McCutchen, portfolio manager for Edna McConnell Clark Foundation (EMCF), an NFP funder, the program's outcomes are now predictable – as long as it is properly implemented and funded. "We may not know with any given mom what's going to happen," he said. "But if you give 1,000 moms this program, we know we are going to reduce child abuse by roughly 50 percent in that population. We know what it will do for the children when they reach 20 years of age. We know how long the mom will likely go without a second pregnancy and what a difference that makes on the economy of that family. We know how much more likely the fathers are to be involved. So our goal is to bring that program to all the moms who want it."

Homeboy Industries: A Local Solution

While NFP was rooted in scientific research with the explicit goal of learning whether results could be replicated across populations and geographies, Homeboy Industries grew from the ground up with new services added on an as-needed basis. The organization took root in 1988, two years after its founder, Father Gregory Boyle, became pastor of Dolores Mission parish – the poorest in Los Angeles.

"If you give 1,000 moms this program, we know we are going to reduce child abuse by roughly 50 percent in that population. We know what it will do for the children when they reach 20 years of age. ...So our goal is to bring that program to all the moms who want it."

Located between two public housing projects, Boyle found himself at the epicenter of gang activity. "We had eight gangs in that tiny area," he said. "Half of those gangs were at war with the other half. When they write the history of gang activity in L.A. County, that period will be remembered as the hardest moment, with the highest number of gang-related homicides in 1992."

In response, Boyle helped start a charter school for gang members living in the Pico-Aliso housing projects, who then began attending his church. His new congregants told him that they needed gainful employment. "So we tried to get the factory owners who surrounded the projects to hire this population," he said. When that effort failed, he created Homeboy Bakery. Established in 1992, the bakery was followed a month later by Homeboy Tortillas.

Since then, Homeboy Industries has grown to include a silkscreen operation, a maintenance business, a café, and a line of merchandizing. "There are 1,100 gangs in L.A. County," said Boyle.

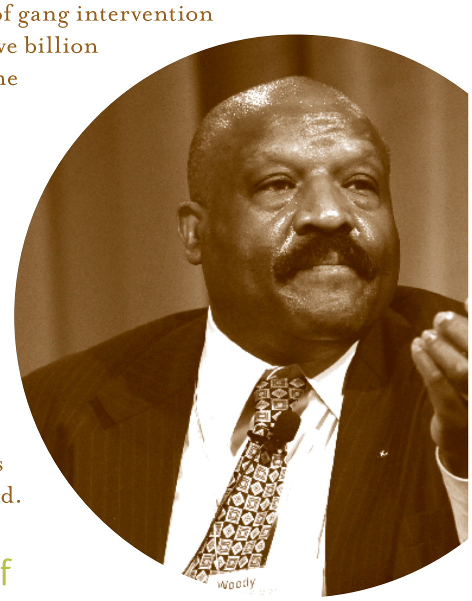
"About 12,000 folks walk through our doors a year, 8,000 of them are gang members. We currently have about 300 trainees in the program, 40 of whom are supervisors. They are enemies working side by side."

As gang members have come to work, Homeboy has developed services to meet their special needs. For example, a gang member came to Boyle and "he says to me, 'I'm having a hard time finding a job,'" said Boyle. Boyle observed that this might well be because he had a profanity tattooed across his forehead. "So I hired him at the bakery, and tattoo removal was born. We now do about 4,000 treatments a year with two laser machines and twelve doctors who volunteer their time." More recently, a mental health program and programs for parents and toddlers have been added.

Even with the program's growth and success, Boyle resists the idea of replication, asserting that Homeboy was created in response to the gang reality that is unique to Los Angeles.

"The intention is not to somehow set up the 'McDonalds' of gang intervention programs – over five billion gang members served," he quipped.

On the other hand, he does believe that Homeboy Industries can serve as a model for other cities. "We don't want to airlift Homeboy industries to Milwaukee, but we're more than happy to give technical assistance and tell them what works and what doesn't," he said.



The Challenges of Scale

One pitfall to scaling up is that it can require stepping on toes – something that philanthropic leaders often avoid, said Robert K. Ross, M.D., president and CEO of The California Endowment, a Homeboy Industries funder.

"This is not a conversation about elegance," he said. "This is a conversation about power. Because scaling means you are trying to hone in on somebody's territory. You're taking on elected officials, you're taking on labor, and you're taking on ideological politics. You are taking on some dragon to slay."

"The intention is not to somehow set up the 'McDonalds' of gang intervention programs — over five billion gang members served."

Ross suggested advocacy as a strategy for tackling the power dynamic, noting that the California Endowment "is probably doing three times more advocacy grants today than we were five years ago, in part because we were concerned about the issue of scaling and policy and systems change."

For its part, EMCF has launched a pilot to take scaling to the next level — sustainability. "We don't want to use the term 'scale,' without marrying it with sustainability," said McCutchen. This approach, he says, supports EMCF's two main goals: to put low-income, underserved children on a trajectory toward independent adulthood by giving them access to programs with proven results; and to promote stronger grantee organizations — as evidenced by their ability to raise increasing amounts of dollars — that are on track to sustainability.

To that end, the Foundation launched a pilot using three of its grantee organizations, NFP among them, to experiment with helping high-performing organizations that have achieved scale become sustainable. The Foundation's definition of sustainability is "that the organizations will be able to secure 100 percent of their ongoing operational revenue needs from reliably renewable sources other than us," said McCutchen.

The Foundation raised more than $120 million for the three organizations to build their capacity— until additional public and private dollars ultimately come in to fund their operating needs. "The entrepreneurial dream in this country in the for-profit sector is to start an operation, develop a product, do a prototype, start a business, take the business public, and cash out rich," said McCutchen. "Why can't we do the same for nonprofits? Take them to the point where they don't cash out and get rich but instead to where they cash out and the quality of life in America gets rich because they can be reliably sustained."

The panel was clear that the issues of scale and replication are not synonymous — they each carry their own distinct challenges. Moreover, the panelists agreed that the decision to replicate a successful project is not a given.

"Whereas some projects are conceived with widespread replication as a fundamental goal," said Shmavonian, "others are borne of responsiveness to local issues, without a long-term goal beyond that of ameliorating vital problems within the local community. Both approaches represent essential strategic elements of the vibrant tapestry of our nonprofit sector."

ASSISTANCE BEYOND THE GRANT: WHAT WORKS, WHAT DOESN'T

Ellie Buteau, PhD, Director of Research, Center for Effective Philanthropy
Patricia A. Maddox, President and CEO, Winter Park Health Foundation
Edward Pauly, Director of Research and Evaluation, The Wallace Foundation
MODERATOR: Romero Hayman, Manager, Center for Effective Philanthropy

New CEP research reveals that most of foundations' efforts "beyond the money" make little difference to grantees. In fact, it is only when foundation staff provide assistance beyond the grant in one of two ways that grantees report a substantially more positive experience with their funders.

Participants heard from representatives from two foundations that provide assistance in these ways. The Winter Park Health Foundation provides a much higher than typical proportion of its grantees with a comprehensive set of assistance activities, and The Wallace Foundation provides a much higher than typical proportion of its grantees with both comprehensive and field-focused assistance.

Patricia Maddox, president and CEO of Winter Park Health Foundation, described how she coaches her program officers to reach into the community. "Our philosophy is that the relationship between the Foundation and the community exceeds the value of the grant — we are in the people business," she said.

Edward Pauly, director of research and evaluation at The Wallace Foundation, explained that his foundation gets greater traction on its strategy by customizing the assistance provided to grantees. "We tailor the assistance to the specific needs of each grantee, and we listen hard to find out what each grantee organization needs help with," he said.

Both these foundations were featured in CEP's research report, *More than Money: Making a Difference with Assistance Beyond the Grant*, which can be ordered or downloaded at www.effectivephilanthropy.org.

BRINGING DATA TO THE DIVERSITY DEBATE

Renée B. Branch, Director, Diversity and Inclusive Practices, Council on Foundations
Lisa R. Jackson, PhD, former Vice President – Research, Center for Effective Philanthropy
Lawrence T. McGill, Senior Vice President for Research, Foundation Center
MODERATOR: Karen McNeil-Miller, President, Kate B. Reynolds Charitable Trust

The recent debate in California and elsewhere about diversity and philanthropy has provoked both argument and soul-searching among foundation leaders. Panelists and participants reviewed the kinds of data needed to support discussion of this contentious and often confusing issue.

Renée B. Branch shared demographic data about the population of the United States and compared these figures to the boards and CEOs of Council survey respondents. "At the most senior level of philanthropy, our demographics do not look like the rest of the U.S. population," she said. "What effect does that have on our grantmaking? How does who we are now impact what we are able to do in the future?"

Lisa Jackson, PhD, noted that "diversity data is most helpful to foundations when it is understood in light of their goals and strategy. That may seem obvious, but people often ask questions regarding diversity in a vacuum. You should start the questions with what are you trying to do and then back your way into figuring out the data needed to answer that."

Lawrence T. McGill raised many questions impacting data collection and diversity research, asking, "Do we know anything about the relationship between diversity and effectiveness, and what data we need to figure this out?"

MAKING BIG BETS: COLLABORATING WITH PEERS

Greg Baldwin, President VolunteerMatch
George Overholser, Founder and Managing Director, Nonprofit Finance Fund Capital Partners
MODERATOR: Vincent Stehle, Program Director for Nonprofit Sector Support Program, Surdna Foundation

As funders strive toward more strategic grantmaking, they should base decisions about where to invest on a nonprofit's track record — not just on its need, argued the panelists in the session. Panelists Greg Baldwin and George Overholser, along with session moderator Vincent Stehle, called on funders to practice agile, robust philanthropy, suggesting that they go beyond narrow, pre-set considerations of how to distribute their money and make big bets by investing in organizations that are poised for success.

"When considering funding opportunities," said Stehle, "funders should ask, 'Will supporting them accomplish our goals?' rather than, 'Do they need our money?'"

"We think there's an extraordinary opportunity in philanthropy right now," said Baldwin, president of VolunteerMatch. "Philanthropy is struggling to move from a paradigm defined by a practice of managing limited resources by focusing on a narrow and very clear set of needs to a world where it is trying to evaluate impact and invest its limited dollars into those organizations where it can do the most good."

"When considering funding opportunities, funders should ask, 'will supporting them accomplish our goals?' rather than 'do they need our money?'"

Founded in 1998 to help meet nonprofits' need for qualified volunteers, VolunteerMatch is an example of how strategic investment can support important and measurable social change. According to Baldwin, 80 percent of approximately 1.2 million nonprofits rely on volunteers, and of those, two-thirds were not finding the people they needed. Unlike many nonprofits, VolunteerMatch was in the unique position of being able to present a clear need backed by data that allowed potential investors to make an informed assessment of its proposed Web-based solution.

At the time of VolunteerMatch's inception, conventional wisdom dictated that "people were not interested, not motivated, and too selfish to donate their time in large numbers," said Baldwin. "We believed, however, that once opportunities and information were available in a consistent, searchable way, engagement would skyrocket."

With only $100,000 in the bank, its development coincided with a wave of enthusiasm and funding for investments in philanthropic infrastructure. In 1999, The Carnegie Corporation of New York, The Atlantic Philanthropies, The John S. and James L. Knight Foundation, Surdna Foundation, The David and Lucile Packard Foundation, and other funders collectively invested $10 million into VolunteerMatch's expansion.

The influx of funding enabled VolunteerMatch to expand its reach and become an effective contributor to philanthropic infrastructure. "Some systems only work on a large scale," said Baldwin. "VolunteerMatch, and technology in general, is that kind of opportunity. You have to go big, or the whole idea never grows enough to satisfy underlying needs."

These early investors set clear guidelines for assessing VolunteerMatch's progress, defining collectively agreed upon measures to track their investments. Key metrics include nonprofit registrations, volunteer referral activity, and earned revenue. VolunteerMatch organizes its metrics and progress in quarterly reports that are shared with its funders. According to Baldwin, this cooperation has a larger implication for the sector. "Grantees and nonprofits are obligated to set clear expectations and metrics, and to be consistent and transparent about reporting on them so interested parties can track the progress of investment and participation," he said.

Another benefit to collaborative funding is that when capital is aggregated in a shared investment, it becomes possible to analyze investment. "The collection of information only needs to be done once and disseminated in a standardized way," said Overholser, founder and managing director, Nonprofit Finance Fund Capital Partners (NFF Capital Partners) which helps nonprofits attract equity-like financing to fund growth, achieve financial sustainability, and increase social impact.

The collaborative "big bet" has paid off. VolunteerMatch now has more than 68,000 nonprofit members and has generated 4.2 million volunteer referrals.

As VolunteerMatch continues to track and report on its success, it is working with NFF to secure the next round of its funding. NFF has created a prospectus for VolunteerMatch that more closely resembles a for-profit venture pitch than a grant report. "The prospectus is really just a particular version of a capital campaign case statement, one that places extra focus on how this one-time infusion of growth capital will allow VolunteerMatch to establish a self-sustaining nonprofit business model," said Overholser. Through this prospectus, NFF is helping VolunteerMatch secure funding that will further its goal to be financially independent in 2012. As of 2009, VolunteerMatch is 74 percent self-sustaining.

With an operating budget of $3 million that is dwarfed by the $2 billion the organization reports it has unlocked in social value so far, VolunteerMatch's history and success are a powerful marketing tool in attracting funders to what has become a proven investment.

LEARNING FROM CONSTITUENT VOICE

David Bonbright, Founder and Chief Executive, Keystone Accountability
Perla Ni, Founder and CEO, GreatNonprofits
Fay Twersky, Director of Impact Planning & Improvement, Bill & Melinda Gates Foundation
MODERATOR: Valerie Threlfall, Director – West Coast Office, Center for Effective Philanthropy

Foundations and nonprofits often fail to get feedback from those who should matter most – the people whose lives they seek to improve.

David Bonbright, founder and chief executive of Keystone, an organization specializing in helping organizations working in the social change field, suggested including beneficiary and constituent voices in the development, measurement, and communication of change efforts. "It's about introducing proven and practical steps to use feedback to reframe and strengthen relationships," he said.

Panelists shared examples of beneficiary feedback in action. Fay Twersky, director of impact, planning, & improvement at the Bill & Melinda Gates Foundation, in partnership with CEP, has led a pilot effort to develop a process for collecting actionable feedback from students about their experiences in Gates-funded high schools. This project, called YouthTruth, is aligned with the Foundation's broader ambition to hear directly from those people whose lives it seeks to impact.

Nearly 5,400 students from 20 high schools located in Washington, D.C., North Carolina, Georgia, and Washington participated in the YouthTruth pilot. The students attended an interactive assembly and then took an online survey about their school experience. The survey covered topics that included the strength of their relationships with adults in school, the rigor of their classes and instruction, their level of engagement, their school's culture, and the frequency with which they discuss their academic goals with adults in and outside of school. School and foundation leaders met in Seattle in April 2009 to discuss and learn from results.

YouthTruth is just the beginning of a larger investigation of how to collect meaningful feedback from beneficiaries. "In our Global Development Program, we are exploring the possibility of using cell phone technology to get feedback," said Twersky. "There are opportunities in different ecosystems to get feedback that we haven't even begun to explore yet."

Another new initiative for funders as well as nonprofits to get feedback is GreatNonprofits, a nonprofit organization that aims to enhance the

transparency of a nonprofit's human impact. GreatNonprofits provides an online platform, similar to Zagat or Yelp, where nonprofit volunteers, board members, donors, beneficiaries, and other stakeholders can post public reviews about individual nonprofits.

Perla Ni, CEO of GreatNonprofits, encouraged funders to use her organization's online platform to leverage new information and interactivity. "Funders have a choice," she said. "There will be winners and losers. The losers will be the nonprofits that are not responsive to their communities and the foundations that become victims to that. Winners are the nonprofits that are accountable and are making an impact, and the foundations that support them."

UNLEASHING THE BOARD

Phil Buchanan, President, Center for Effective Philanthropy

Addressing a room of foundation trustees and CEOs, CEP President Phil Buchanan asked, "What worked well, and what didn't, at your last board meeting? What would you change?"

Participants listed a number of common woes, including time management, an inability to reach closure on any given topic, and an inertia that prevents agendas and processes from adapting to significant change. They also voiced concerns about their boards' inability to disagree meaningfully, to discuss pressing issues during unstructured time, and to make dramatic structural changes that lead to more productive meetings.

With those challenges in mind, Buchanan shared key findings of CEP's *Beyond Compliance: The Trustee Viewpoint on Effective Foundation Governance* (November 2005), listing five predictors that are key to trustees' perceptions of board effectiveness:

- Appropriate mix of capabilities and utilization of those skills
- Engagement in strategy development and impact assessment
- Focus of discussions on important topics
- Positive relationship with the CEO
- Opportunity for influence and respectful dissent in board meetings

"While these dimensions of board effectiveness may not sound surprising, it's how you get there that proves challenging," Buchanan said. He shared specifics from CEP's research and experience working with foundation boards, providing participants with recommendations for how to improve on each dimension.

Buchanan also made some observations based on his experience in working with boards.

- The desire to control backfires in the long term. Debate and dissent are inevitable – it will happen. The question is, where do you want it to happen: in the hallways or in the boardroom?
- It's the board's duty to focus on the important issues, such as strategy and assessment. So don't be constrained by the agenda or tradition – make space for these essential discussions.
- While many insights apply across nonprofit, corporate, and foundation boards, foundation boards are different. Among the distinctive challenges are family involvement, the challenge of defining fiduciary responsibility, and the difficulty of assessing performance.
- You can change a board quickly: small, simple changes in structure, process, and procedures often have a positive and significant impact on board performance.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